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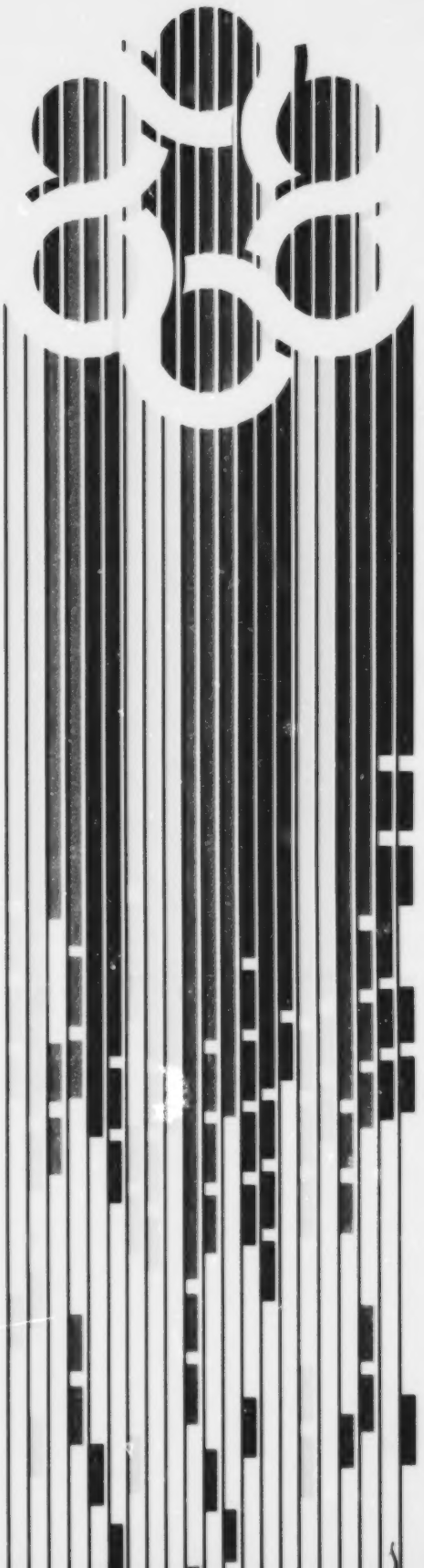

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METROPOLITAN TORONTO...not just an investment opportunity or a tourist get away but also a way of life second to none..."THE WORLD'S NEWEST GREAT CITY."

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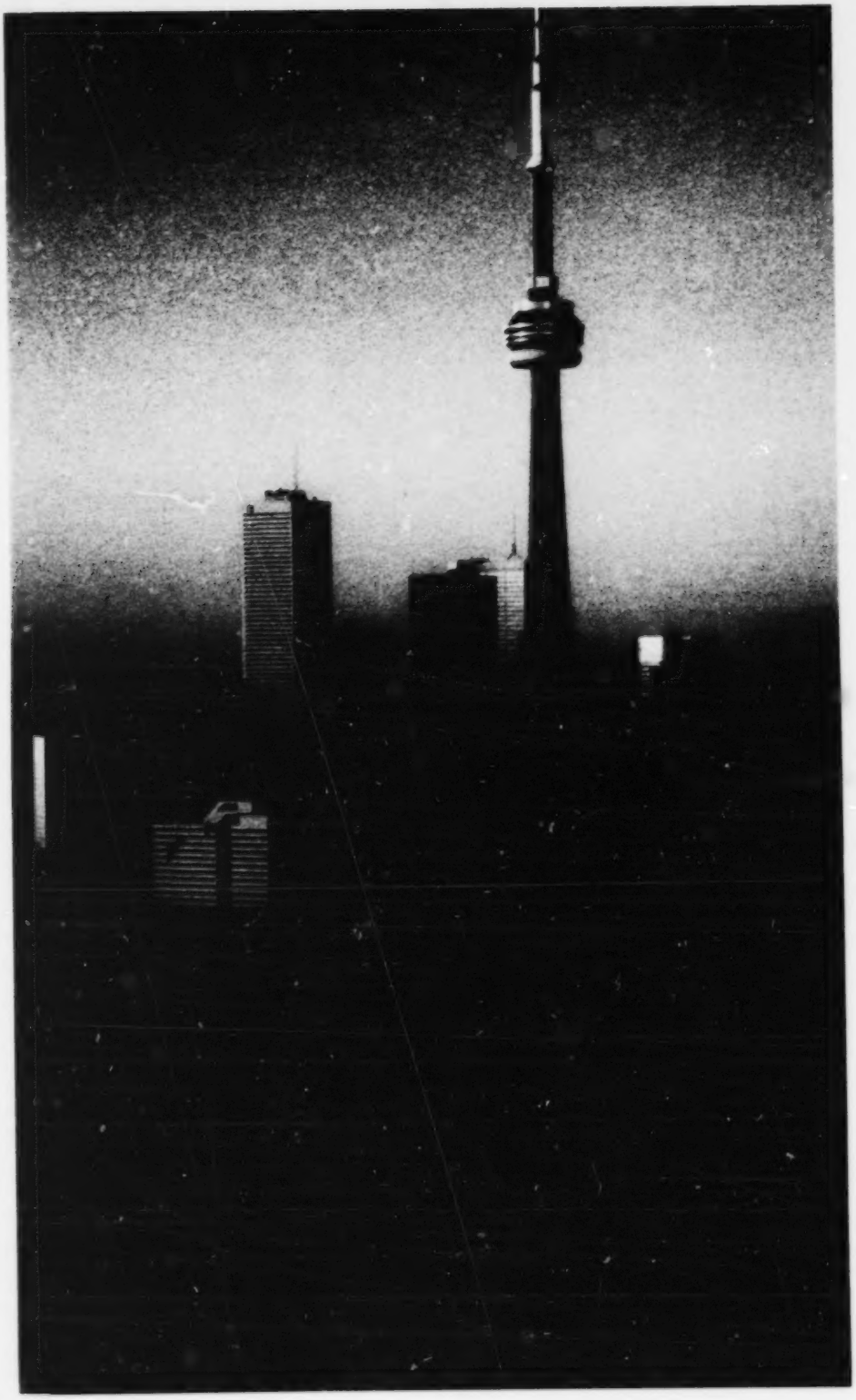
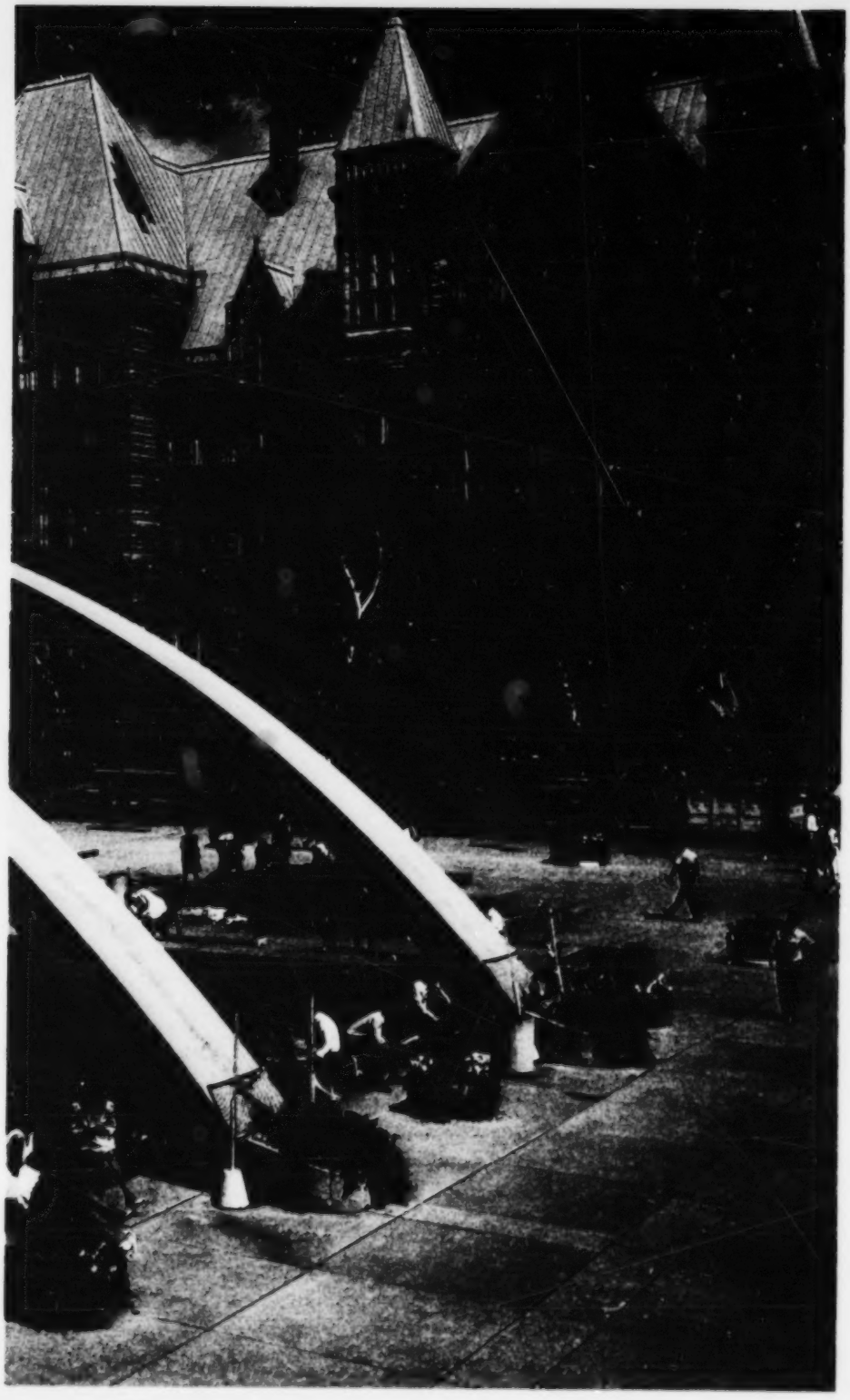


METROPOLITAN TORONTO... a strong and vibrant federation of 6 municipalities – East York, Etobicoke, North York, Scarborough, Toronto, and York.



Nathan Phillips Square in Metropolitan Toronto presents a reflective and tranquil diversion in the heart of the city.

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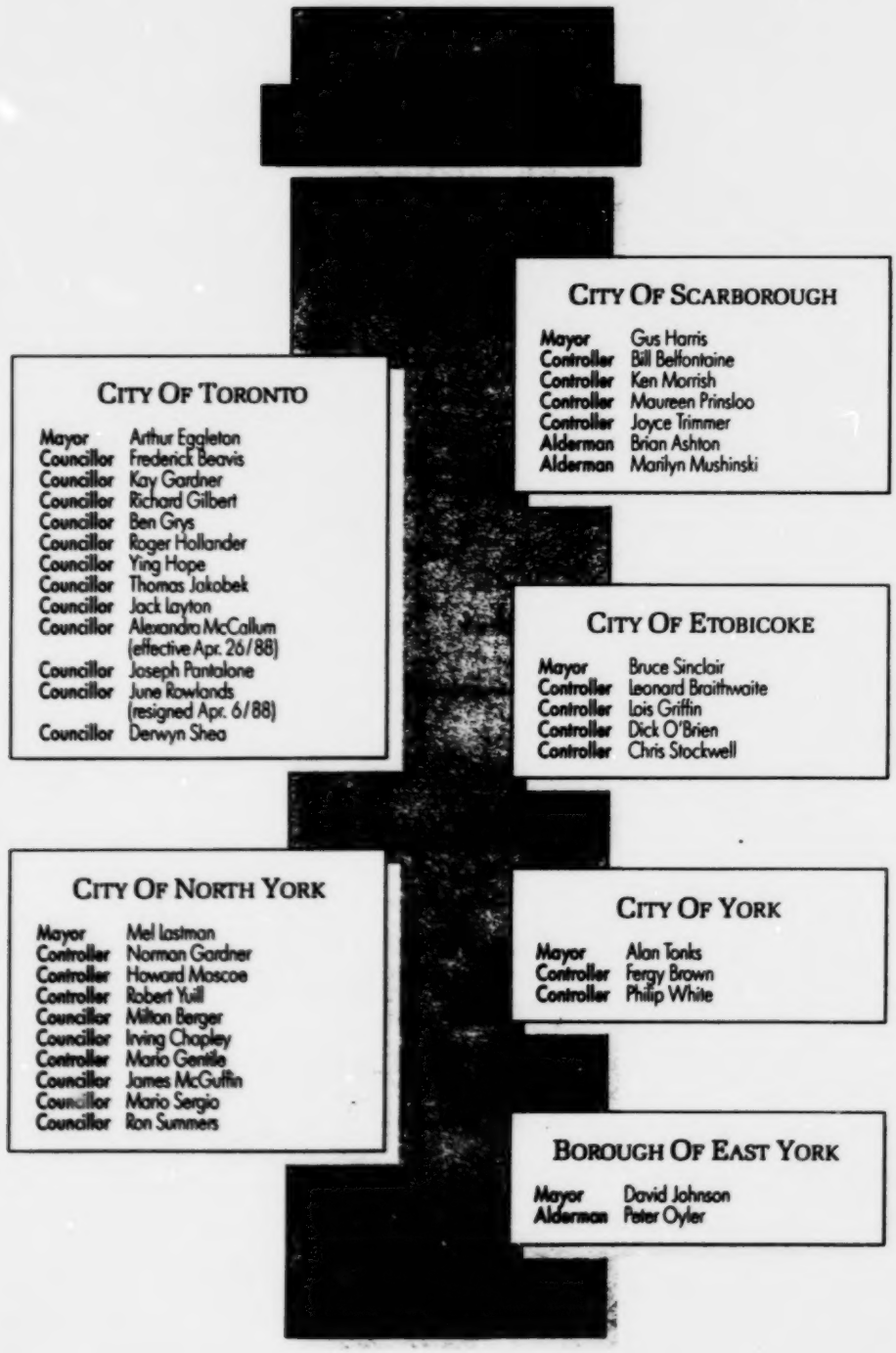


CITY OF TORONTO

Mayor	Arthur Eggleton
Councillor	Frederick Beavis
Councillor	Kay Gardner
Councillor	Richard Gilbert
Councillor	Ben Grys
Councillor	Roger Hollander
Councillor	Ying Hope
Councillor	Thomas Jakobek
Councillor	Jack Layton
Councillor	Alexandra McCallum (effective Apr. 26/88)
Councillor	Joseph Pantalone
Councillor	June Rowlands (resigned Apr. 6/88)
Councillor	Derwyn Shea

CITY OF SCARBOROUGH

Mayor	Gus Harris
Controller	Bill Belfontaine
Controller	Ken Morrish
Controller	Maureen Prinsloo
Controller	Joyce Trimmer
Alderman	Brian Ashton
Alderman	Marilyn Mushinski

CITY OF ETOBICOKE

Mayor	Bruce Sinclair
Controller	Leonard Braithwaite
Controller	Lois Griffin
Controller	Dick O'Brien
Controller	Chris Stockwell

CITY OF NORTH YORK

Mayor	Mel Lastman
Controller	Norman Gardner
Controller	Howard Moscoe
Controller	Robert Yuill
Councillor	Milton Berger
Councillor	Irving Chapley
Controller	Mario Gentile
Councillor	James McGuffin
Councillor	Mario Sergio
Councillor	Ron Summers

CITY OF YORK

Mayor	Alan Tonks
Controller	Fergy Brown
Controller	Philip White

BOROUGH OF EAST YORK

Mayor	David Johnson
Alderman	Peter Oyler

METROPOLITAN TORONTO: A SUCCESS STORY

The twenty-first century is on the horizon, and just beyond is the fiftieth anniversary of a unique urban experiment: The Municipality of Metropolitan Toronto.

The experiment has clearly been, and continues to be, successful; in fact, some observers call it a triumph. Peter Ustinov praised Metropolitan Toronto as "New York City, run by the Swiss."

While the average resident of Metropolitan Toronto takes these compliments with a grain or two of salt, all residents are proud of their community and have great confidence as they focus on the rapidly-arriving new century.

In 1953, when the next century was as distant as the last, the creators of Metropolitan Toronto were as much absorbed by the problems of the moment as by the potential of the future. Their goal was to achieve a practical answer to the post-war pressures impacting thirteen politically autonomous municipalities – communities which were not only geographically proximate, but also socially and economically interdependent.

Their solution was the creation of a unique federation of municipalities in a new two-tier structure for municipal government. The result is a rationalized system in which the Metropolitan Corporation is responsible for services common to the entire metropolitan area. At the same time, significant powers and responsibilities remain with individual area municipalities to provide local services and to foster socially strong area communities.

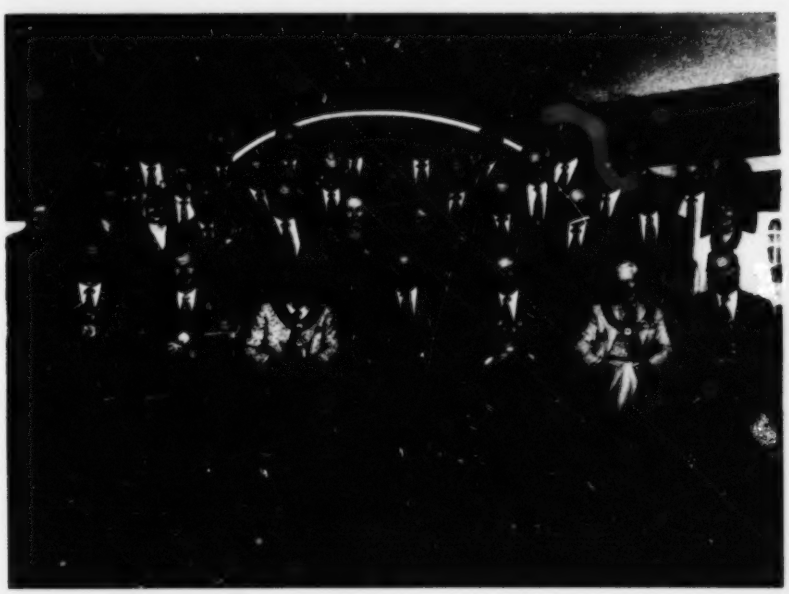
Over the years, Metro-wide services have expanded in number and complexity and the role of the Metropolitan Corporation has grown commensurately.

Maintaining an effective balance between centralized and de-centralized services is a key factor in the continuing success of Metropolitan Toronto. At root, any urban community is successful only if it works for local jurisdictions, neighbourhoods, and – the ultimate "local jurisdiction" – the individual citizen.

In the final analysis, Metropolitan Toronto is a safe, vibrant and exciting community. Its management and its forward-looking financial and human resource policies have earned it the respect and admiration of the international community.

Genuine success embraces many factors, not the least of which is economic achievement. While Metropolitan Toronto has never lost sight of the fact that an expanding economy is essential, it has always recognized the ultimate touchstones of success for an urban community: namely, a system of government that is evolving to meet changing needs, efficiently and humanely.

Metropolitan Toronto ***is*** such a community. It's a place where two million people feel at home in Canada. And in the world.



METRO: THE TRAIL TO TODAY

Metropolitan Toronto had its modern origins in the creation of the Town of York, in 1779, as the seat of government and the major military base in Upper Canada. In 1834, growth in population, economy and political influence resulted in the incorporation of the Town of York into the City of Toronto. As the population continued to increase, new communities were established outside city boundaries. In 1883, a series of annexations began which, by 1920, quadrupled the area of the City. At the same time, a number of independent resort and dormitory communities grew up around the City of Toronto. By 1930, the population of the City of Toronto and the 12 suburban municipalities exceeded 800,000 and the price of this expansion was the expensive provision of municipal services to these communities.

The years 1930 to 1945 were disastrous for municipal revenues. Despite reductions in expenditures on municipal services, most municipalities were having difficulty repaying capital debt and, after World War II, most found it difficult to borrow additional money to finance services. With the post-war population boom, the 12 suburban municipalities were struggling desperately to cope with the urgent need for improved water supply, transportation, sewage disposal, flood control, schools and other services. Many of the suburban municipalities were unable to raise sufficient revenues from a property tax base which was primarily residential. Raising money for infrastructure was simply impossible. The result was internal competition to attract industry. Property taxes were rising, integration in policies and service delivery was lacking and inter-municipal agreements were proving ineffective. Something had to be done.

In 1953, the Ontario Government established the Municipality of Metropolitan Toronto with jurisdiction over matters of major concern common to all 13 municipalities.

Initially, Metropolitan Toronto concentrated its efforts on the construction of essential physical services required to sustain a population growth averaging around 50,000 per year. In the years following 1953, the Metropolitan Corporation achieved a virtually complete solution of the area's water and sewage problems through the building of trunk distribution systems and tertiary sewage treatment facilities. It also provided a transportation system which combined an extensive road and expressway network, as well as one of North America's most advanced public transit systems. A 2,200 hectare regional park system was established. More than 235,000 new student spaces were provided in the school system, both in the growing suburban areas and in new schools in the City of Toronto. An effective regional planning program was carried out to guide and control the continuing growth. In 1957, the area police forces were amalgamated to form the Metropolitan Toronto Police Force, responsible for policing the entire Metropolitan area.

A restructuring of Metropolitan Toronto was adopted by the Ontario Government in 1966. The area was reorganized into six municipalities – the City of Toronto and the Boroughs of East York, Etobicoke, North York, Scarborough and York. Later legislation allowed the Boroughs to rename themselves as cities, at their option.

With the restructuring, new powers and responsibilities were assigned. The most important related to schools and social services. In education, the Metropolitan Toronto School Board was given complete financial responsibility for school construction and operation, through the establishment of a Metropolitan-wide tax rate, thus eliminating disparities in educational financing. This made it possible to provide an equal standard of education for every child in the area. The Metropolitan Corporation took over full responsibility for social services, including the income maintenance program. Other new responsibilities included waste disposal, the establishment of a Metropolitan public ambulance service, the financing of regional libraries, and authority to participate in urban renewal in conjunction with the area municipalities.

The tasks facing Metropolitan Toronto during the mid-70s were mainly social and economic. Physical services within the Metropolitan area were virtually complete, with an increasing share of urban growth now taking place beyond Metro's boundaries. The concerns of Metro's citizens were turning to the quality of urban life and the stability of neighbourhoods. Reappraisals of the needs of the community, especially in the field of transportation, were instituted at every level, both public and private. As a result, the Metropolitan Corporation has been successful in providing a physical and social services infrastructure to guide the progressive urbanization of the Metropolitan region.

Metropolitan Toronto was the first community in North America to adopt a regional federation of municipalities as a concept and a structure for local government. Metro's principle of government recognizes the need to unify those common functions which, in the interests of economy, effectiveness, and efficiency, should not be fragmented, while at the same time allowing for local administration of matters of local concern.

Amalgamated services assigned to the Metropolitan Corporation include:

police protection
regional roads and expressways
public transit
solid waste disposal
water pollution control
water supply
ambulance services
social services
homes for the aged
assisted housing
children's services
regional parks

Services which are the responsibility of the Area Municipalities include:

fire protection
local streets
garbage collection
local and neighbourhood parks
local parking lots
administration of civic elections
collection of property taxes
local sewers and water distribution system

The responsibility for most public works and services in Metropolitan Toronto is shared by the Metropolitan Corporation and the individual area municipalities. The degree to which the problem is metropolitan in scope or local in scope determines the division of responsibility.

The operation, administration and financing of the public elementary and secondary school system in Metropolitan Toronto are the responsibility of school boards which are independent of the Metropolitan Corporation and the area municipalities.

After a quarter century of growth that has almost always been steady, and on occasion, spectacular, Metro has created an infrastructure and an environment which encourage achievement – socially, economically, and aesthetically.

The Metropolitan federation has proven to be an effective structure. It has been able to marshall and manage the required financial resources, effectively marry planning and budgeting, and maintain continuity and co-operation.

As a result, Metro Toronto is the economic and cultural capital of Canada. The "new-world" city has become a new "world-city." Acclaimed for its urban design and congratulated for its flourishing cultural diversity, Metro is internationally recognized as a secure, sane environment – a model for municipalities around the world.

METRO: CANADA'S LARGEST AND LIVELIEST COMMUNITY

WHERE WE ARE

Extending 40 km along the north shore of Lake Ontario and inland 16 km, occupying 632 sq.km, Metro is Canada's largest municipality and home to 2.2 million people. Our citizens represent 9% of the population of Canada and 24% of the Province of Ontario.

Metropolitan Toronto is the business capital of Canada, accounting for a quarter of the country's gross national product and half of its total exports.

44% of the sales of Canada's top 100 industrial companies are rung up right here in Toronto. That's a financial flow of 19 billion dollars annually.

Metro has real manufacturing muscle and has the highest income, output, and invested productive capacity of any municipality in Canada. Over 5,000 manufacturing firms are located throughout its communities.

Approximately 33% of Canada's retail market is located within 200 kilometres of Metropolitan Toronto.

The Toronto Stock Exchange accounts for about 75% of the activity on Canadian stock exchanges.

"Take 1. Scene 1." In the film business, Toronto is often referred to as "Hollywood North." In 1987, more than 35 feature films were produced here.

WHO WE ARE

The ideal of Canadian multiculturalism is nowhere more evident than in Metropolitan Toronto. We are proud to be the most culturally, racially and religiously diverse municipality in Canada, proud that multiculturalism is one of Metro's greatest strengths.

At least seventy-five different ethnocultural groups have chosen Metro as their home. During the 1970s, almost half the new immigrants to Canada were drawn to Metro by the strong urban industrial network and the opportunity for employment. And we continue to be a magnet for at least one quarter of all immigration to Canada.

The largest Italian community outside Italy has not only contributed to the building of Metro from the ground up, but has also brought the imagination and creativity of the Italian people to virtually everything – from industrial design, art and sports to, of course, food.

The largest Caribbean carnival – Caribana – is held in Metro each year, drawing hundreds of thousands of visitors to Metro for our own Canadian "jump-up."

The second largest Chinese community on the continent gives Metro the pleasure of four Chinatown shopping areas.

The quality of respect and tolerance for differences found in Metro is supported... and nourished... by the Metropolitan Government's initiatives. They are the first in Canada, at a municipal level, which are designed to ensure positive race and ethnic relations in the community.

WHERE WE WORK

Office-space is plentiful – and prestigious. Metropolitan Toronto has almost 30% of Canada's total urban office space. To date some 350 firms have chosen to locate their head offices here. Metropolitan Toronto is Canada's construction leader. Building permits totalled $2.2 billion in 1986. Over three 5-year periods ending in 1986, office space increased nearly 100% to a total of 9.5 million square metres. And new centres of commercial activity in the local municipalities are proof of vibrant business growth.

Housing starts have averaged 25,000 per year in the Metro Region throughout the 1980s.

WHERE WE PLAY

An Abundance of Gentle Pleasures

Green and gracious spaces are a Metro tradition and outdoor enthusiasts have some 51 Metro parks, along with numerous local parks, to enjoy and explore.

Metropolitan Toronto ferryboats ply the waters between Central Harbour and the Islands, where city-dwellers enjoy a relaxed change of pace. One of the ferryboats is the only authentic steam-powered, side paddle double-end vessel remaining on the continent. Originally built in 1910, the Trillium was restored in the mid-1970s.

Take the Ferry to the "Islands" for a great view of Toronto's skyline. A very popular summer playground for all ages, it offers picnic facilities, formal gardens, sandy beaches, wading pools, fishing in the lagoons, bicycle paths and other amusements.

The world-class Metropolitan Toronto Zoo provides a delightful recreational and educational experience.

"Please Walk on the Grass"

Brainchild of Metro's first Parks Commissioner, the "Please Walk on the Grass" campaign symbolizes Metro's philosophy for parks and recreational services. Today, encouraging year-round access to parkland, and developing new recreational areas, continue to be major priorities.

Metro is actively expanding its recreational resource base to keep pace with growing community interest in outdoor activities.

Waterfront projects are part of the long-term Waterfront Plan designed to maximize recreational use of 80 kilometres of land along Lake Ontario. New projects along the waterfront are a 400-slip marina at Bluffer's Park, as well as the landfill operations to complete the 28.5 hectare Colonel Samuel Smith Park.

The valleyland trail system in Metro's five major river valleys will be extended to provide one of Canada's most comprehensive walking, jogging and bicycling networks.

Metro is also considering the construction of a sixth golf course, additional cross-country and downhill ski facilities, continuing improvements to its waterfront parks system, and further horticultural attractions.

Metro's Zoo

Four thousand animals from Anacondas to Zebras; they're all at the Metropolitan Toronto Zoo. It's a 290 hectare site that's one of the pride and joys of our community, and an attraction for visitors from around the world.

The Metro Zoo is an internationally recognized research centre for endangered species. Captive breeding programs, perhaps the most important function of the contemporary zoo, are a significant part of the Zoo's efforts to preserve these species.

Displays of the botanical and zoological collections have also earned the Zoo international acclaim.

A preview of SkyDome, Metro's major league sports stadium featuring a fully retractable roof.

The "Ex"

Exhibition Place, covering 140 hectares on the shore of Lake Ontario, is home to the world's largest annual fair – the Canadian National Exhibition. A unique Canadian institution, the "Ex" attracts 2.5 million visitors annually.

Exhibition Place hosts a wide variety of trade, industrial, and consumer shows, as well as agricultural, theatrical, musical, and other events. Permanent buildings house commercial and government exhibits from across Canada and around the world.

Exhibition Stadium is the site of major league baseball and football action, musical events, annual grandstand shows and amateur events.

Tops with Sport Fans

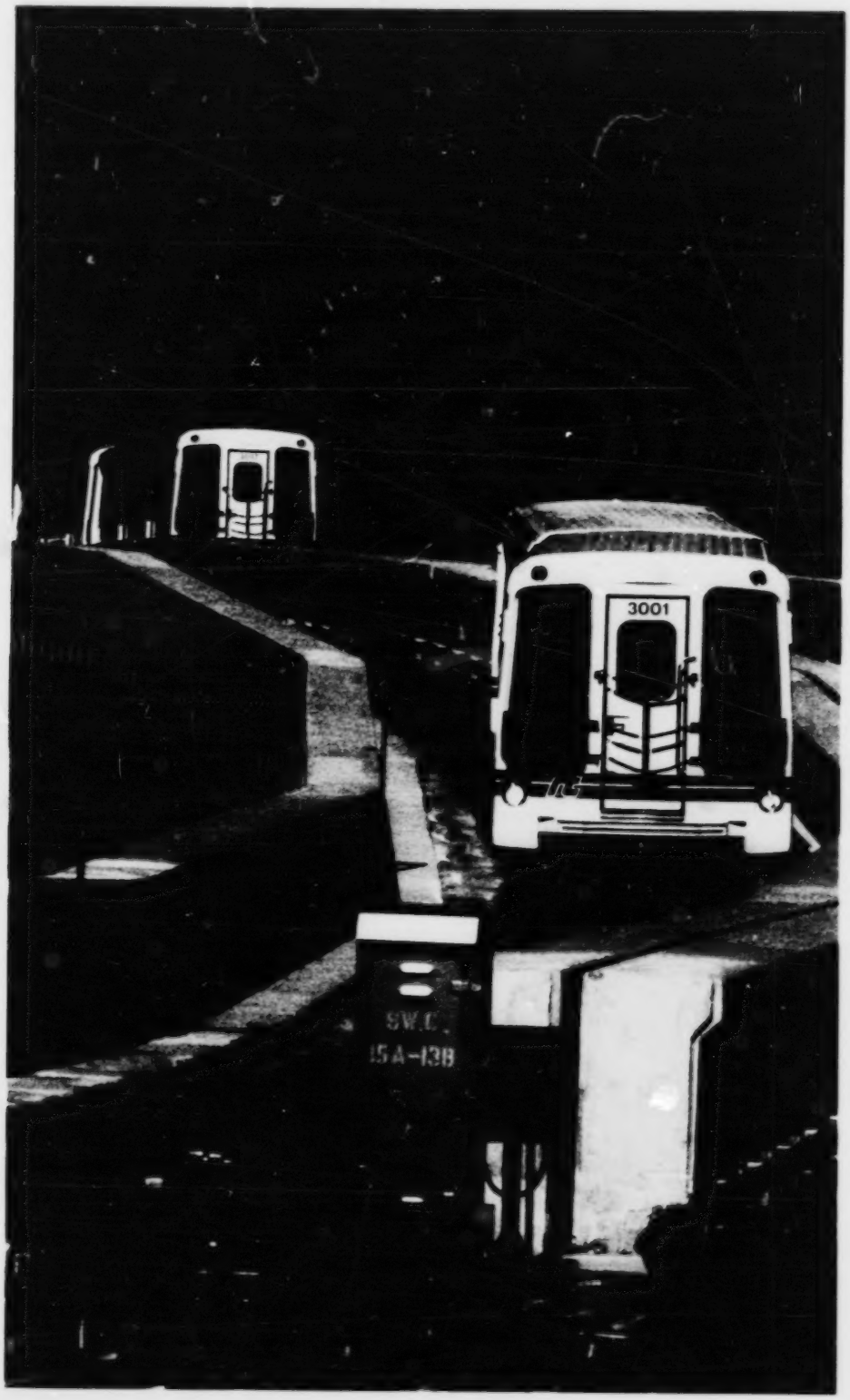
Toronto's Sky Dome, the world's first domed sports stadium with a fully retractable roof, will be completed in 1989 and will seat 56,000.

And there's major league action round-the-calendar with the Blue Jays of baseball's American League, the National Hockey League's Maple Leafs and the Argonauts of the Canadian Football League.

Metro's commitment to amateur sport is exemplified by its Metropolitan Toronto Track and Field Centre at York University. International class athletes such as Ben Johnson, Angela Issajenko and Mark McKoy train at this facility.

Courtesy of the Toronto Blue Jays

Metropolitan Toronto is home to the Toronto Blue Jays baseball team – one of the most popular summer attractions.



The Scarborough Rapid Transit Line, part of the Toronto Transit Commission surface and underground network, provides a safe, clean and convenient way to travel in the metropolitan area.

HAPPENINGS

Metropolitan Toronto is the major English-speaking centre for arts activity in Canada and one of the most significant and active arts centres in North America. The audience for arts and cultural activities in Metro is estimated at 6 million. Well known are the Royal Ontario Museum, the Art Gallery of Ontario, the Ontario Science Centre, the O'Keefe Centre – home of the Canadian Opera Company and the National Ballet of Canada, and Roy Thomson Hall – home of the Toronto Symphony Orchestra.

Newly established facilities at Harbourfront include the Premiere Dance Theatre, the Power Plant and the Du Maurier Theatre.

There are various new projects on the horizon – the Elgin/Winter Garden restoration, a new Opera/Ballet House, the opening of Metro's first permanent outdoor theatre, as well as cultural centres in a number of municipalities. International conferences and exhibitions take place in Metro's world class conference and convention centres; the community is host to organizations, associations and business groups from around the world.

With determination... and good fortune... Metro may be the site of the 1996 Olympics and the Year 2000 World's Fair.

GETTING AROUND

Public Transit: On a Roll

Fifty-four kilometres of subway lines together with our surface routes carry one and a half million passengers every business day. Our 60 subway stations are hailed as clean, convenient, and classy.

Metro's public transit system has long been regarded as one of the world's most efficient and safe systems anywhere. It has won the Silver Award of the American Public Transit Association 18 times in the past 21 years.

With certain exceptions, such as railways and taxis, Metro's total public transportation system is operated by the Toronto Transit Commission. T.T.C.'s fleet includes buses, subway cars, streetcars, trolley coaches, Canadian light rail vehicles, and Intermediary Capacity Transit System (ICTS) vehicles.

Metro-wide, a comprehensive system of over 1000 vehicles provides safe, clean and affordable transportation with a remarkable record of reliability. Even when the temperatures plummet and the snow piles high, Metro's public transit systems rarely miss a beat. As a result, public transit continues to be a growing alternative to the automobile. One significant measure of success is that the T.T.C. has more riders per capita than any other public transit system in North America.

On The Road In Metro

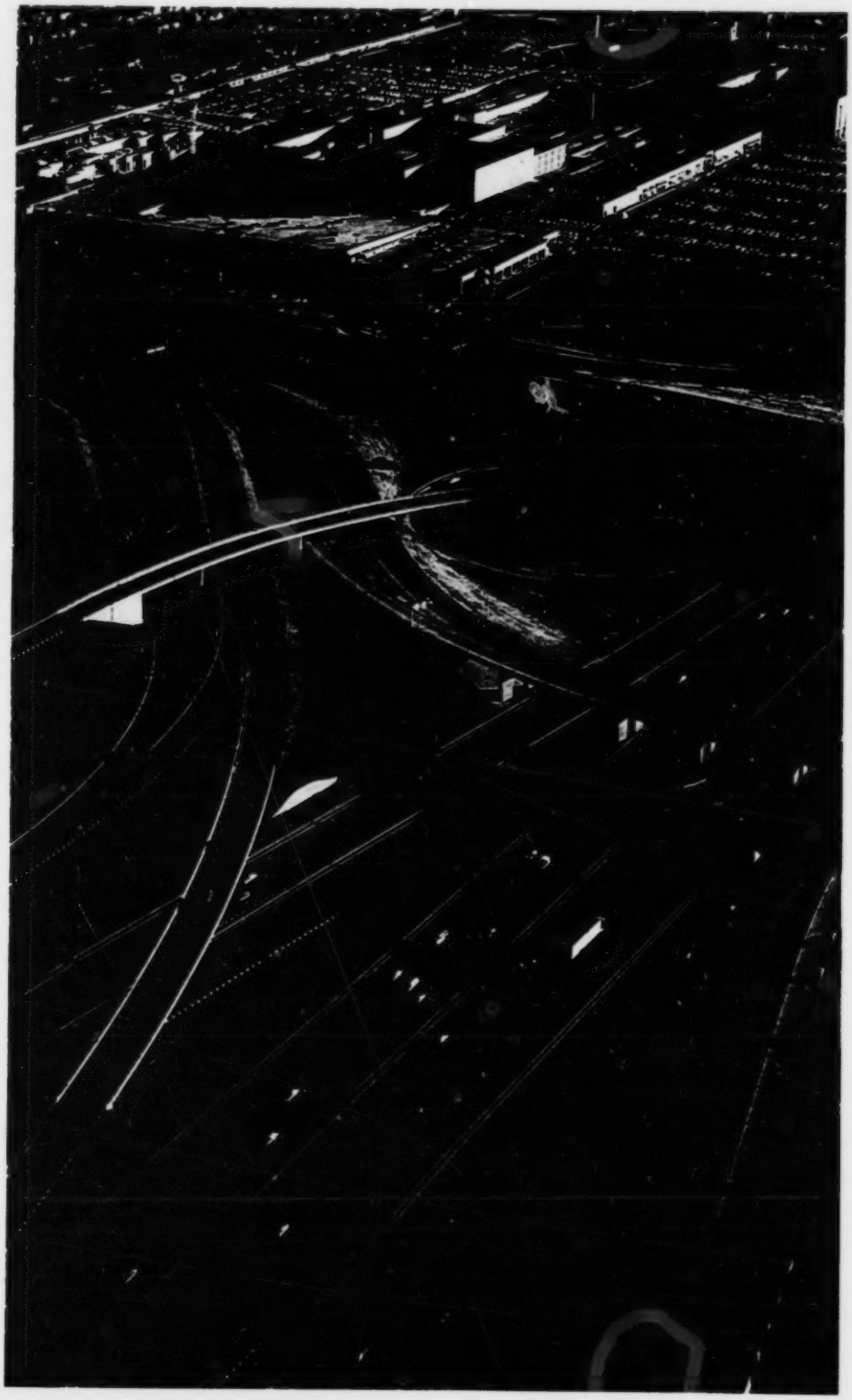
Metropolitan Toronto's efficient system of roads has contributed greatly to the municipality's superb growth record. There are more than 830 kilometres of arterial roads, highways, and expressways. Plus 5000 kilometres of municipal roads and streets.

However, Metro's road system is reaching an age at which increasing maintenance expenditures will be required. To effectively plan for these expenditures, a pavement rehabilitation analysis was completed and a Pavement Management System developed. This preventive maintenance system will realize significant long-term cost savings through appropriate on-going maintenance.

National and International Connections

Metropolitan Toronto is a major transportation nexus in Canada. Modern highway and rail routes provide effective links with all of Canada and the U.S. Air routes and the St. Lawrence Seaway provide total flexibility for international connections.

Lester B. Pearson International Airport is Canada's largest with 71 airlines making over 850 flights per day. Terminal One has gates for 24 aircraft of mixed types. Terminal Two can



The Roads and Traffic Department is responsible for the maintenance and operation of the major traffic arteries in Metropolitan Toronto. This aerial view depicts part of the 830 km road network.

handle up to 31. Capacity will increase by an additional 24 gates in 1990 when the third terminal will be completed.

On average, Pearson International ships and receives 600 metric tons of airfreight every day.

Community Wellbeing

Responding to Needs

A wide variety of support services, including police protection, ambulance services, licensing policies, housing support programs and recreational services play an important role in maintaining the community's wellbeing and standard of living.

Unfortunately, various economic and other circumstances make it difficult for some individuals and families to function successfully in any community... particularly in a complex urban environment.

Therefore, the overriding objective of Metro's broad range of support services is to help these people share in the life of the community and, indeed, to make a meaningful contribution to it. Services are planned and designed to help the less fortunate achieve personal pride and confidence.

"To Serve and Protect"

Metropolitan Toronto's policing philosophy is to emphasize positive, co-operative community involvement as the keystone to effective maintenance of law and order.

Direct responsibility lies with the Metropolitan Board of Commissioners of Police. Services are provided not only via traditional direct response, but also through police/community co-operative programs. These projects have developed significant momentum and are expected to generate ideas and strategies that will benefit all Metro communities.

Community participation also continues to broaden through another initiative, the Neighbourhood Watch Program. To help strengthen community/police communication, the Force is expanding foot patrols. Foot patrol officers are well received by the community and increased success in crime prevention and community relations can be expected as the program builds.

Worth Thinking About

Metro has 9 colleges and universities; over half a million students are enrolled annually in elementary, secondary, and post-secondary schools.

Metro's hospital system is unmatched in the country. Forty hospitals, including the world-renowned Hospital for Sick Children, provide quality health care, pioneering procedures and techniques in a wide variety of medical specialties.

A Community Resource

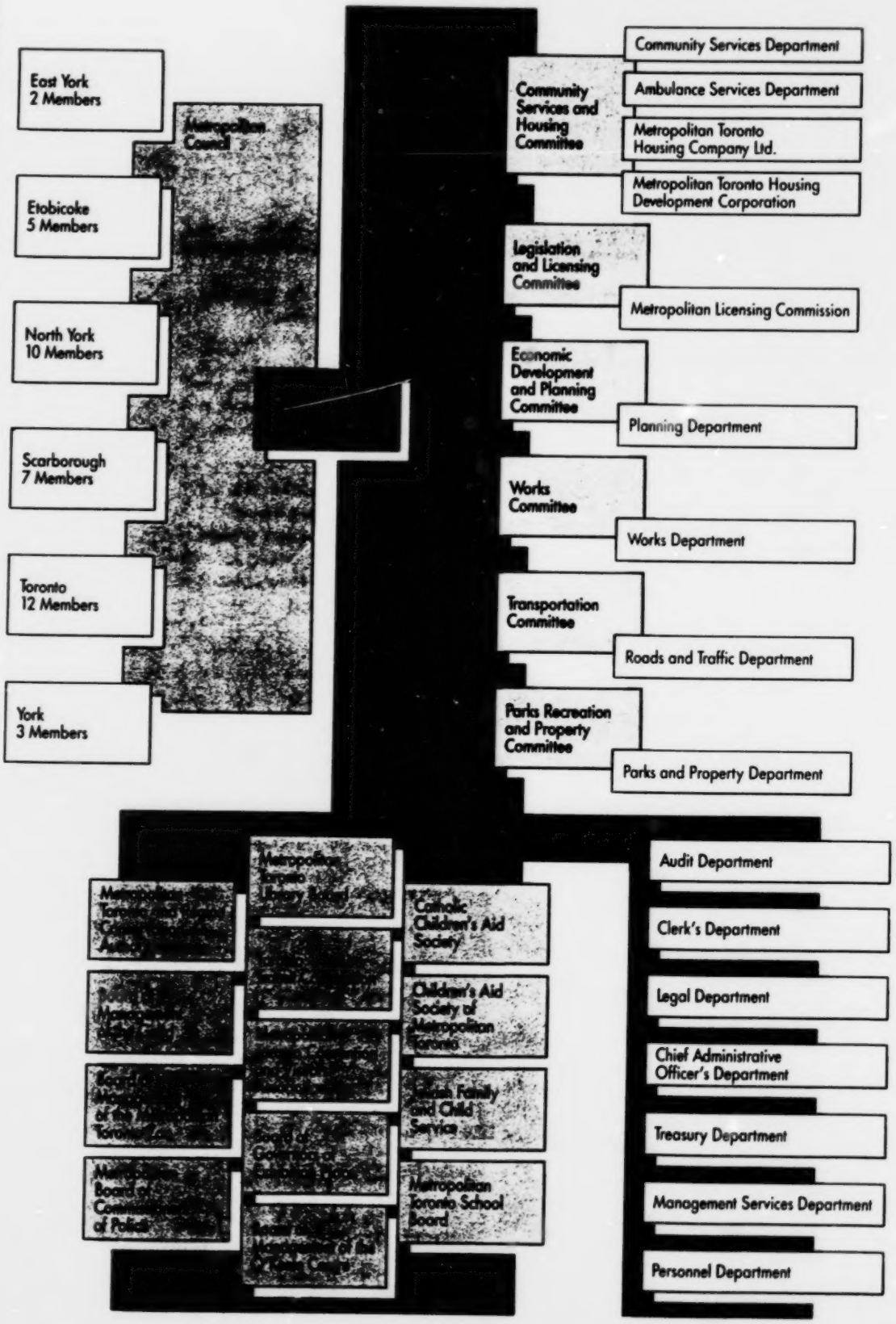
Metro residents enjoy access to extensive local and regional library systems which provide excellent resources for personal pleasure, academic pursuits, and business or professional needs.

The Metropolitan Toronto Library Board operates the Metropolitan Toronto Reference Library and the Municipal Reference Library which are major research and reference resources in the Canadian public library community. Over 1.7 million users consult the over 2.5 million books and bound periodicals in the collection annually. Inquiries amount to almost 2 million per year.

Management and Conservation

Metropolitan Toronto is fortunate to have been naturally blessed with ample supplies of water and a beautiful geographic setting. Metro regards these resources as a heritage to be protected, a heritage which requires exceptional management in water supply, waste disposal, and preservation of green spaces.

Water supply and waste management used to be services which the public took for granted. This is no longer the case. The general community is more aware of, and involved in, a wide range of issues relating to effective management of essential services.


East York
2 Members
Etobicoke
5 Members
North York
10 Members
Scarborough
7 Members
Toronto
12 Members
York
3 Members
Metropolitan Council
Community Services and Housing Committee
Community Services Department
Ambulance Services Department
Metropolitan Toronto Housing Company Ltd.
Metropolitan Toronto Housing Development Corporation
Legislation and Licensing Committee
Metropolitan Licensing Commission
Economic Development and Planning Committee
Planning Department
Works Committee
Works Department
Transportation Committee
Roads and Traffic Department
Parks Recreation and Property Committee
Parks and Property Department
Audit Department
Clerk's Department
Legal Department
Chief Administrative Officer's Department
Treasury Department
Management Services Department
Personnel Department
Catholic Children's Aid Society
Children's Aid Society of Metropolitan Toronto
Metropolitan Toronto School Board

METRO: THE STRUCTURE

THE CORPORATION

Managing the present and shaping the future of Canada's largest municipality constitute major political and administrative challenges. To maintain effective responses to these challenges, Metro Council consistently searches for the best solutions, and the most advanced management policies to implement them.

Throughout the process, Metro's management – Council members and the heads of Metro's departments, boards, commissions and agencies – share the vision of a municipality striving to achieve and to set new standards of excellence in urban living.

Reflecting this vision, Metro's system of resource allocation links planning and budgeting so that priorities and fiscal capacities are carefully related.

LEGISLATIVE

The Metropolitan Council is the governing and legislative body for the Municipality. The forty-member Council is composed of a Chairman and a specified number of members from each of the Councils of the local municipalities in the metropolitan area, including the mayor of each. The Council's composition is as follows:

East York	2 members
Etobicoke	5 members
North York	10 members
Scarborough	7 members
Toronto	12 members
York	3 members
Chairman	1
	40 members

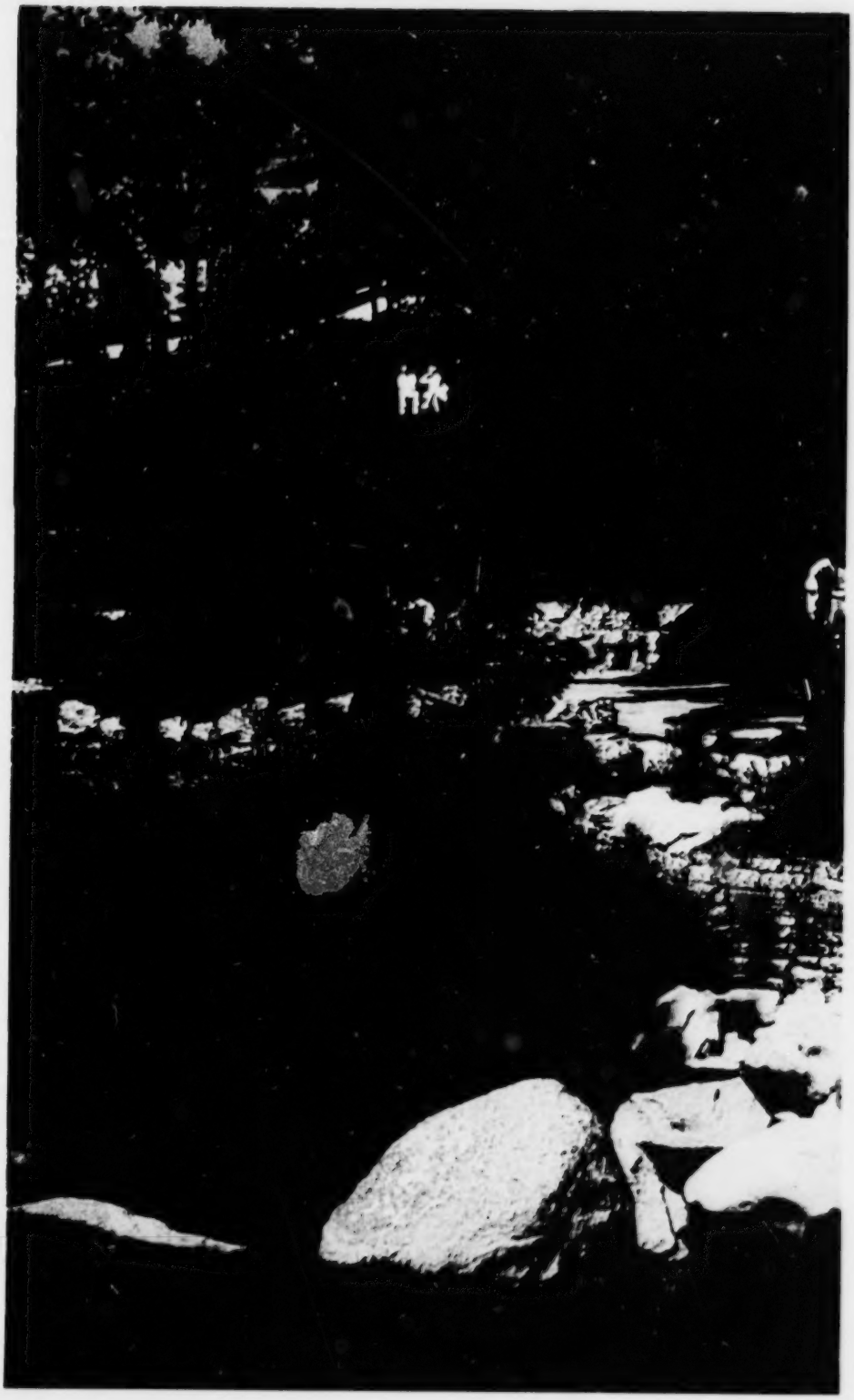
Metropolitan Council approves policy, authorizes the raising of revenues and the expenditure of funds for the provision of services. Council operates through committees of its members who consider matters in detail and then make recommendations to Council, as a whole, for approval and implementation.

These committees consist of the **Executive Committee** and six Standing Committees – **Community Services and Housing, Legislation and Licensing, Economic Development and Planning, Works, Transportation, and Parks, Recreation and Property.**

The Chairman is both head of the Metropolitan Council and Chief Executive Officer of the Metropolitan Corporation. Elected by the members of the Metropolitan Council, the Chairman serves a three-year term which coincides with their own. Council may choose as Chairman a member of the Metropolitan Council, or any other person. If it chooses a member of an area municipality Council, that member must automatically resign the municipality position.

The **Executive Committee** of the Metropolitan Council is composed of fourteen members including the Chairman, the mayor of each area municipality, and seven additional Council members. The Committee considers and coordinates policy proposals from the Metropolitan Chairman, the Standing Committees of Council, and other agencies, forwarding them to Council accompanied by its own recommendations for adoption or amendment.

The Executive Committee has two sub-committees: **Management** and **Budget.** Sub-committees' proposals are reviewed by the whole Executive Committee before being referred to Council for action or confirmation. In addition to their participation on these sub-committees, one or more members of the Executive Committee are assigned to each Standing Committee.



Edwards Gardens – part of Metro's 2900 hectares of parkland – providing outdoor pleasures and an escape from the tempo of modern life.

Six standing committees deal with policy and program direction:

The **Community Services and Housing Committee** is responsible for various social service programs for the residents of Metropolitan Toronto, including child care, services for the elderly, housing, and income maintenance. The Committee recommends policy and monitors ongoing programs.

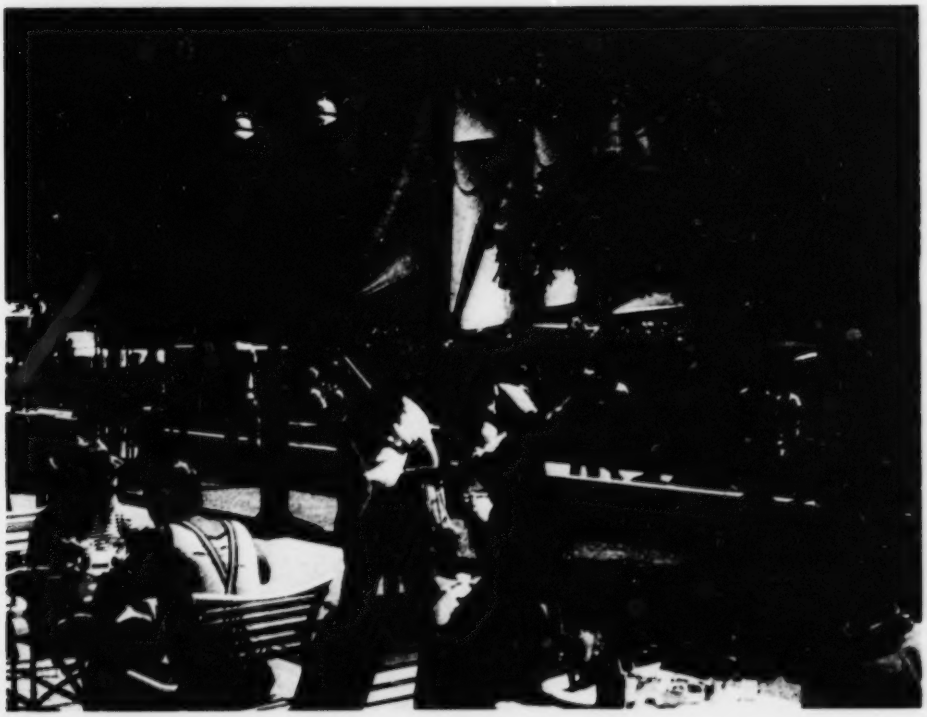
The **Economic Development and Planning Committee** considers all urban planning matters in the context of the Metropolitan Official Plan with respect to the control of development, transportation planning, policy development and the planning of public works.

The **Legislation and Licensing Committee** considers and reports to Council on proposed legislation, as well as the licensing and regulating of trades, businesses and occupations in the metropolitan area.

The **Parks, Recreation and Property Committee** is responsible for all of Metro's land transactions, many of its public buildings, and all regional parks functions; it also reports to Council with respect to the operations of various special recreational and cultural agencies.

The **Transportation Committee** proposes, for Council's approval, policies and programs for the expeditious movement of people and goods within Metropolitan Toronto. The transportation policy ensures a system of road and transit facilities providing accessibility and mobility throughout the municipality.

The **Works Committee** considers policies, programmes and construction of facilities for the treatment of sanitary sewage, the disposal of solid waste and the provision of Metro's water supply.



A lazy, hazy day at Toronto's harbourfront – a haven for visitors of all ages, backgrounds and walks of life.

Eighteen paramedic teams operate within the Ambulance Services Department. The department provides emergency and transfer ambulance service, including transportation and skilled emergency patient care.

ADMINISTRATIVE

Fourteen Metropolitan Departments administer the programs and provide the services for which Metropolitan Toronto is responsible. The Departments also implement policies adopted by Metropolitan Council. "Line" departments provide operational services directly to the public, while "staff" departments provide support services.

The **Ambulance Services Department** provides prehospital emergency care and advanced life support (paramedic services), transportation of the ill and injured, and ambulance coverage to all citizens living and working within Metropolitan Toronto. The Department is also responsible for establishing a comprehensive community health care disaster plan in cooperation with allied emergency services and the Ontario Ministry of Health.

The **Audit Department** examines the financial operations and audits the financial statements of the Metropolitan Corporation and various local boards and organizations funded by the Corporation. Detailed reports giving commentary on the financial operations of each organization are submitted to them and to Council. Appropriate levels of management are provided with more detailed information on the findings of the audit.

The **Chairman's Office** assists the Chairman in the complex duties, relationships and activities which the Office demands. The Office provides services for the Chairman and Council as needed, and co-ordinates the development of policies, goals, priorities and programs.

Policies that provide vital nourishment for the continuing economic growth of the municipality are developed and implemented through the Economic Development Division. By stimulating industrial growth, this Division plays a major role in creating and retaining jobs for Metro Toronto's citizens.

The **Chief Administrative Officer's Department** objectives are the administrative effectiveness and efficiency of the Metropolitan Corporation as a whole. The CAO co-ordinates the corporate budget process and financial planning; overviews personnel and information systems initiatives; liaises with departments, agencies, boards and commissions on budget and corporate administrative matters; carries out policy analyses on specific issues and undertakes organizational reviews referred by Council; and is responsible for the development and implementation of programs and policies in the areas of cultural services, multiculturalism and race relations, and equal employment opportunity for the Metropolitan Corporation.

The **Metropolitan Clerk** is required to record the resolutions, decisions and other proceedings of the Metropolitan Council and to keep the originals of all by-laws and minutes of Council and its Committees. The Department assists in arranging Metro's official functions and maintains the Records Centre and Archives.

The **Community Services Department** develops and implements a broad range of programs aimed at meeting the complex social needs of a large urban community.

The Department comprises four operating divisions: Social Services, Homes for the Aged, Housing Division and Children's Services. Two staff divisions provide administration, policy, planning and community development support to the Commissioner and each of the operating divisions. In addition, the Purchased Services Unit and Hostel Operations report to the Commissioner's Office.

The Department provides emergency income maintenance programs in accordance with Provincial Legislation; services and resources which encourage child development, support families, and assist local communities; appropriate care to people over 60 years of age who can no longer live independently in the community; and affordable rental housing for senior citizens, single persons and families with low and moderate incomes.

The **Legal Department** is responsible for the provision of legal services to the Metropolitan Council and its Committees, all departments of the Metropolitan Corporation and to various local boards and special purpose agencies of the Corporation. Solicitors involved in litigation appear in all levels in the courts, as well as administrative tribunals.

The **Management Services Department** is responsible for the development of management systems, the discharge of data processing services, and educational and advisory help on the use of new technology. The Department also carries out economic and policy research, forecasting, performance management and evaluation, program reviews, information needs studies and long-range systems planning. In addition, the Department co-ordinates word processing management, telecommunications, and printing and graphics services for the Corporation.

Wheel-Trans service, administered by the Toronto Transit Commission, is a lifeline for physically disabled persons who cannot use conventional public transportation services.

The **Parks and Property Department** is responsible for the provision of recreational facilities and the management of public parkland. This includes a year-round water transportation service to the communities and parks of the Toronto Islands. The Department is responsible for the acquisition and disposition of all Metropolitan properties and for their construction and maintenance.

The **Personnel Department's** operations include the recruitment of staff; management and supervisory training and development; wage and salary administration; the direction of corporation-wide health and safety operations; and the administration of labour relations matters.

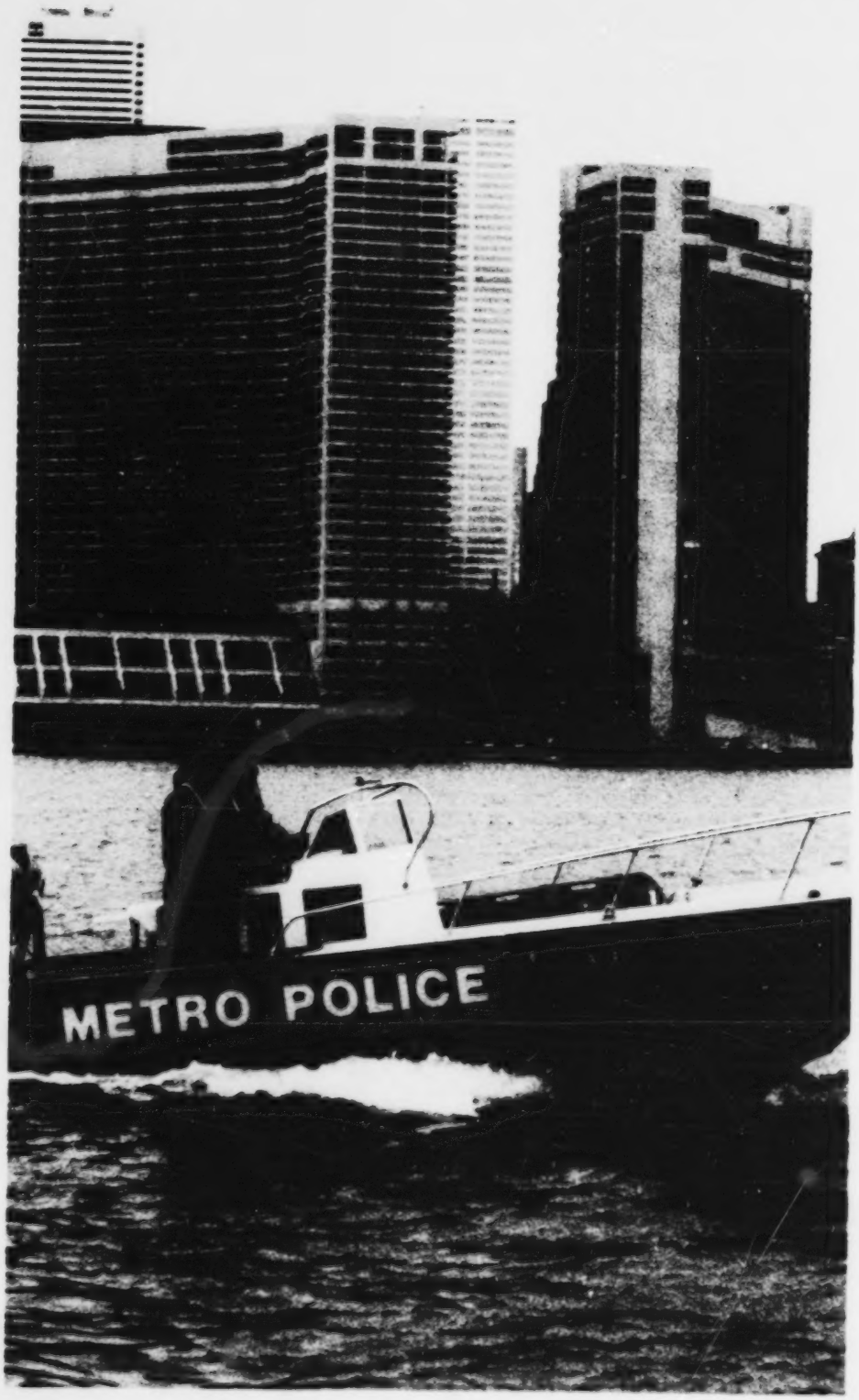
The **Planning Department** prepares the Metropolitan Official Plan; reviews area municipal planning and private development proposals; provides advice and counsel respecting policy matters and the planning and implementation of physical projects; and makes recommendations, respecting plans of subdivisions and condominiums and all other planning instruments under the planning powers delegated to the Metropolitan Council by the Province of Ontario.

The **Roads and Traffic Department** maintains and operates Metropolitan roads and, with design and construction support, implements the roads and traffic programs of the Metropolitan Council. A network of traffic control signals throughout Metropolitan Toronto is managed with ninety-seven percent of the signals under the control of a central computer system. To address the dynamic requirements of arterial traffic flow, investigations are undertaken to deal with issues such as the need for traffic control devices, parking regulations, and access control.

The **Treasury Department** is responsible for the administration of the financial affairs of the Metropolitan Corporation. This includes: the co-ordination and analysis of corporate operating and capital budgets; control procedures over all revenues and expenditures; the arrangement of required short and long term financing; provision of insurance coverages for the Corporation; the Corporate risk management and loss control function; administration of pension funds, sinking funds and other trust and reserve funds; and the preparation of financial statements and the Annual Report.

The **Works Department** is responsible for the disposal of solid waste, the treatment of sanitary sewage, and the provision of purified water. The Department consists of three operating divisions: Refuse Disposal, Water Pollution Control, and Water Supply, and three support divisions: Administration, Engineering, and Planning Control and Development.

Three important issues now facing Metropolitan Toronto are the shortage of future landfill sites for solid waste disposal, water pollution at area beaches, and public concern about the quality of drinking water. The Works Department's major priority is the resolution of these issues and concerns.



Metropolitan Toronto Police Marine Unit on patrol at the Toronto Harbour. Water policing operations provide search, rescue and lifesaving services, as well as the promotion of safety on the water.

AGENCIES, BOARDS & COMMISSIONS

Among Metro's responsibilities to provide services are special functions administered by a variety of boards, agencies and commissions. These are administered as either joint activities of more than one level of government, or as a means of achieving greater participation by members of the community. They include:

Canadian National Exhibition
O'Keefe Centre for the Performing Arts
Guild Inn
Exhibition Place
Metropolitan Toronto Library Board
Metropolitan Toronto & Region Conservation Authority
Metropolitan Board of Commissioners of Police
Metropolitan Toronto Licensing Commission
Metropolitan Toronto Zoo
Metropolitan Toronto Convention & Visitors Association
Toronto Transit Commission
Children's Aid Societies

FINANCIAL STRUCTURE

Metro Toronto's financial operations are classified into three groupings: General Purpose Requirements; Education Requirements; and Water Supply Requirements.

Principal revenues are raised through a levy on the area municipalities for Metro's general purpose requirements. These include the operation of all departments and the funding provided to the boards, agencies and commissions (excluding water supply operations). The Education requirements are requisitioned by the Metropolitan Toronto School Board on the Municipality of Metropolitan Toronto. Metro, in turn, levies these funds from the area municipalities on behalf of the School Board. The Water Supply operations are self-sustaining and the principal source of revenue is from the sale of water to the area municipalities.

The levies on the area municipalities for general purposes and education, as well as local requirements, are, in turn, raised from the community through business and property taxes.

Other sources of revenue for the Metropolitan Corporation are grants from the Province of Ontario, user charges arising from provision of services, investment income and other incidental revenues.

The Metropolitan Corporation is solely responsible for issuing debenture debt on behalf of itself for general purposes and water supply, on behalf of the Metropolitan Toronto School Board for education, and additionally, on behalf of the area municipalities for their local requirements.

The repayment of the principal and interest on debt issued for local purposes is recovered from the area municipalities.

The Metropolitan Corporation is very proud of its "Triple-A" credit rating in respect of its municipal debenture issues. The Corporation is one of only six of the 28 largest North American cities or regional governments to receive such a rating. This rating can be directly attributed to Metro's continued pursuit of fiscal strategies geared to long term stability and effective utilization of limited resources.

Commenting on Metro's fiscal performance recently, Moody's Investors Service stated that "major credit characteristics for the municipality are its strong diversified economy and favourable debt factors including a diminished reliance on borrowing and carefully planned debt structure."

METRO: A MAJOR EMPLOYER

The Metropolitan Corporation and its agencies, boards, and commissions employ approximately 30,700 people. In total, about 88% are employed under collective bargaining agreements.

Metro's corporate workforce amounts to 8,800 full-time positions and 1,900 part-time or casual positions. These positions are distributed throughout the 14 departments as follows:

Community Services	55.6%
Works	16.6%
Ambulance	8.3%
Roads and Traffic	4.9%
Parks and Property	5.9%
All other Departments	8.7%

Metro's agencies, boards and commissions employ another 20,000 people, including the 10,500 Toronto Transit Commission employees and the Metropolitan Toronto Police Force of 7,000 of which 5,300 are uniform police.

The employees of the Metropolitan Corporation set a high standard of excellence in management and service to the public, and their efforts contribute significantly to the success of the Metropolitan government.

As a major public sector employer, the Corporation has taken a lead role in establishing equity policies and practices in its management of human resources. In 1981, equal employment opportunity was adopted as a formal corporate commitment, establishing full compliance with the Ontario Human Rights Code as its initial goal.

A major and innovative stride forward was taken in 1983 when Metropolitan Toronto became the first employer to establish an internal Human Rights Complaints Procedure to ensure fair treatment of staff.

Based on its confirmed belief that a large and diverse organization works best on a foundation of respect and understanding for the dignity of the individual, the Corporation undertook to confront all forms of harassment in the workplace with the establishment of a Workplace Harassment Policy.

In 1984, Metropolitan Toronto led the way with a bold initiative: the Kingswood Management Training Program. Kingswood is a five day residential simulation training program for all managers in the Corporation. This program provides specific training in the practice of equal employment opportunity, human rights and race relations in the context of a manager's day to day responsibilities.

In 1987, Metropolitan Toronto continued to lead in workplace policies with its adoption of a Policy and Guidelines with respect to AIDS in the Workplace. This policy recognizes the Corporation's obligation to provide a safe work environment for its employees, and the safe delivery of services to its clients. The policy also recognizes the right of employees handicapped by illness to continue to work as medical conditions and safety permit. This latest initiative reflects Metro's commitment to educating and protecting its employees and providing a working environment which encourages the peace and harmony for which this community is noted.

Metro Hall, slated for opening in 1992, will be home to the largest urban government in Canada: Metropolitan Toronto. Reflecting state of the art technology and building design, Metro Hall will present a distinct and identifiable head-quarters for our government.

LOOKING TO TOMORROW

DIRECT ELECTION

To improve accountability, representation and responsiveness, a new system and structure for representation on Metropolitan Council will be implemented in 1988.

The Metropolitan Council will include the mayors of the Area Municipalities and an additional twenty-eight Council members who will be directly elected and will sit only on Metropolitan Council.

The 28 Metropolitan wards will be based on an average representation by population ratio of one Metropolitan Councillor per 75,000 population. Specific regional representation:

Municipality	Number of Metropolitan Council Members including Mayors
East York	2
Etobicoke	5
North York	8
Scarborough	7
Toronto	9
York	3

The new system will provide Metropolitan Councillors with an opportunity to better focus on those issues impacting all of Metropolitan Toronto.

It is expected that the new system will enhance the electorate's recognition of the responsibilities assigned to each level of municipal government. Metropolitan Council will become a more effective vehicle for articulating a Metropolitan Toronto position on issues of an inter-regional or provincial context.

Other key changes anticipated:

The Metropolitan Chairman will be chosen by Metropolitan Council from among its directly elected members.

A Policy and Priorities Committee will be established to weigh varying Standing Committee policy initiatives against overall corporate priorities. This committee will be composed of the Metropolitan Chairman, the Executive Committee and the Chairman of each Standing Committee.

The Executive Committee will continue to provide for a system of checks and balances between the policy development function of the Standing Committees and resource control.

The six Standing Committees (Transportation, Legislation and Licensing, Works, Economic Development and Planning, Community Services and Housing, Parks, Recreation and Property) will continue to exist with a modified composition.

Direct election is considered to be a vital step towards forging a more vibrant profile for Metropolitan Toronto and the vital role it plays in the lives of its residents.

METRO HALL

In 1987, Metropolitan Council approved a proposal for construction of a distinct and identifiable headquarters for the Municipality of Metropolitan Toronto. Until now Council members and staff have shared facilities with the City of Toronto and have been dispersed in a number of buildings throughout Metro. Metro Hall will be the headquarters for the government of Metropolitan Toronto and all elected Metropolitan officials will have their principal office there. This clearly recognizable building will reinforce the role of Metropolitan Government in the eyes of the public.

The 27-storey Metro Hall will be located in the block bounded by King, John, Wellington, and Simcoe Streets. Plans include a 1.2 hectare square with a park and open-air amphitheatre blending the site with Roy Thomson Hall. Occupancy is planned for 1992. An underground walkway will link Metro Hall to the St. Andrew Station on the University Subway line.

State-of-the-art technology and building design will help Metro staff operate at peak efficiency. Metro Hall will include child care and fitness centres, food operations, visitor galleries, and possibly the Municipal Reference Library.

AN ONGOING COMMITMENT

Metropolitan Toronto is a municipality with a clear sense of its past – and of its future. A long tradition of humane government, supported by strong urban leadership has resulted in an environment where citizens have a genuine opportunity to live in harmony and express their individuality . . . across the full spectrum of human endeavour.

The Municipality of Metropolitan Toronto tries to enhance this environment by striving for excellence in every facet of government and administration. The professionalism and commitment of the thousands of Metro employees who share this ideal are among the key factors in Metro's continuing success.

Metro's goal for the future: a whole that will always be greater than the sum of its parts. And a tomorrow that offers the best of opportunities for the people of Metropolitan Toronto.

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The Municipality of
Metropolitan Toronto

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John L. Pickard, B.Com., F.C.A.
Commissioner of Finance and Treasurer

M.A. Brooks I.P.F.A.
Deputy Treasurer

April 11, 1988

I am pleased to present the Annual Financial Report of the Municipality of Metropolitan Toronto for 1987 and to highlight some of the more significant financial activities which occurred during that year.

Respectfully submitted,

JOHN L. PICKARD, B.Com., FCA
Commissioner of Finance and Treasurer

Economic And Financial Perspective

Economic

Economic prosperity in Ontario continued into 1987 with the province's very strong growth of 4.7 percent arising largely from increased consumer and investment spending. 1987, in turn, saw Metropolitan Toronto continue to consolidate its position as the business and research capital of Canada, leading the country in employment, new building activity, retail sales, manufacturing and small business growth.

The uncertainty and volatility of economic conditions generally brings with it the realization that growth and prosperity is not guaranteed, and, accordingly, the Municipality, in concert with the business, labour and research community, is continuing to take steps to ensure its long term international competitiveness.

For its part, the Metropolitan Corporation further consolidated its financial position in 1987 and continued to retain its "Triple A" credit rating in respect of its municipal debenture issues. Service operations were completed well within budget and the surplus for the year, in excess of $57 million, was used to reduce the 1988 tax rate. In addition, the Municipality substantially increased its reserves and reserve funds from $135,728,000 at January 1, 1987 to $187,567,000 at the end of the year.

Financial

The Metropolitan Corporation's principal sources of revenues are levies against the Area Municipalities, grants from the Province of Ontario, user charges arising from municipal services and certain other miscellaneous revenues. The operations may be classified into three groupings, and the basis of financing is outlined below:

GENERAL PURPOSE REQUIREMENTS, which include all Metropolitan departments, boards,

C. Dennis Flynn, (seated) Chairman of Metropolitan Council, with John L. Pickard, Metropolitan Treasurer.

commissions and agencies (except Water Supply), are financed from a general levy on the six constituent area municipalities, Provincial grants and other sundry and program-generated revenues.

EDUCATION REQUIREMENTS for elementary and secondary educational programs administered by the Metropolitan Toronto School Board are financed from an education levy on the six constituent area municipalities, Provincial grants and other sundry revenues. The funds required by the Board are requisitioned from the Metropolitan Corporation, which, in turn, levies for such funds on the Area Municipalities.

WATER SUPPLY REQUIREMENTS of the Water Supply Division of the Metropolitan Works Department, an entirely self-sustaining operation, are financed from the sale of water to constituent area municipalities (and one adjoining Regional Municipality by formal agreement) and from other sundry revenues.

AUTHORITY TO BORROW

Debenture Debt

The Municipality of Metropolitan Toronto has the sole statutory responsibility for borrowing money by the issuance of debentures for its own purposes, its local boards, commissions and agencies and on behalf of the area municipalities and their local boards, commissions and agencies. The local boards and municipal enterprises of the Municipality include the Metropolitan Water Supply System, the Toronto Transit Commission and the Metropolitan Toronto School Board. Where money is borrowed, or debt assumed on behalf of other bodies, payment of the related debt servicing requirements is made by these bodies to the Metropolitan Corporation.

All debentures issued by the Metropolitan Corporation are direct, joint and several obligations of the Metropolitan Corporation and the Area Municipalities.

Short Term Debt

Provincial legislation restricts short term borrowing by the Metropolitan Corporation for current purposes during any year to 70 per cent of the total amount of estimated revenues as set forth in the estimates adopted for the year. Until such estimates are adopted, the borrowing limit shall be calculated upon the estimated revenues as set forth in the estimates adopted for the next preceding year.

FINANCIAL MANAGEMENT AND CONTROL

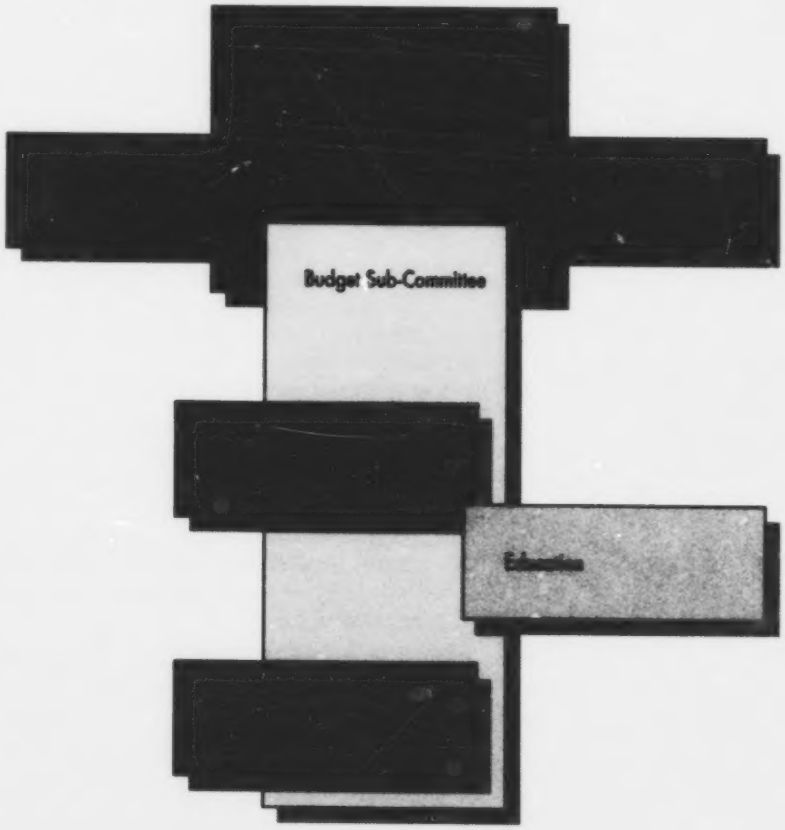
THE BUDGETARY PROCESS

The Metropolitan Toronto budgetary process for both the annual operating budget and the five year capital works program is shown in the chart below and explanatory comments.

- Staff of the Treasury Department, in consultation with the Budget Sub-Committee of Council, issue budget guidelines to all Metro departments, boards, commissions and agencies.
- Departments/Agencies prepare and submit their budget documents to the Treasury Department. A copy of the budget submission is also forwarded by the Department/Agency to the applicable Standing Committee of Council.
- Standing Committees review the budget documents, with the main emphasis on policy and program issues, and forward their recommendations to the Budget Sub-Committee.
- Staff of the Treasury Department coordinate and prepare the necessary schedules and analysis reports.
- Members of the Budget Sub-Committee analyze the budget requests (and applicable amendments), and recommend the appropriate funding requirements and management actions.
- Recommendations of the Budget Sub-Committee are forwarded to the Executive Committee for consideration.
- Recommendations of the Executive Committee are forwarded to the Metropolitan Council for final approval and adoption of a general levy on the constituent area municipalities.

The Budget Sub-Committee is a sub-committee of the Executive Committee charged with reviewing the budget submissions, and presenting the formal budgets (operating and capital) to the Executive Committee and to the Metropolitan Council. The Budget Sub-Committee is composed of seven members, one from each of the six area municipalities of the Metropolitan Toronto federation, plus the Metropolitan Chairman who presides at the sub-committee meetings.

The annual operating budget establishes expenditure funding appropriations that are monitored throughout the year and, except for minor variations, the express prior approval of Council is required before incurring expenditure commitments that would create over-expenditures in approved appropriations.



The five year capital works program is reviewed and revised annually in the budgetary process and includes a fiscal impact analysis of each capital project to assess the financial impact upon subsequent operating budgets. Such analysis forms the basis for recommended guidelines with respect to growth in annual debt charges, the level of debt outstanding and a balanced use of borrowing and capital financing out of current fund allocations. (See "Long Range Capital and Financial Planning" section.)

In the case of education, the budgetary process is carried out entirely by the Metropolitan Toronto School Board in conjunction with the local Boards of Education for the six area municipalities. Following formal approval of a budget by the Metropolitan Toronto School Board, it is then forwarded to the Metropolitan Executive Committee and Council for approval, in order to permit the striking of a property tax levy for public education purposes or for inclusion in the five-year capital works program.

The Accounting Process

The present computerized Central Accounting System was initiated originally to eliminate most of the independent accounting systems previously maintained in each of the Metropolitan departments and to provide a central collection focus for accounting data. Since its inception, the System has developed progressively to meet the emerging needs of departments, particularly in the areas of management accounting and budgeting. It is now oriented to a program management structure, with sufficient flexibility to ensure ready analysis of information to the needs of the user.

The Metropolitan Corporation has initiated a strategic review of its financial systems and informational requirements to support the financial management and control processes. This review is intended to ensure that future systems continue to satisfy the increasing demands for information from both corporate and departmental perspectives, in the areas of accounting, operational planning and management information.

To ensure that all transactions are recorded accurately and on a timely basis, are properly approved and serve as the basis for reliable financial information, the Municipality maintains an extensive system of internal accounting controls. The adequacy and effectiveness of the control systems are subject to on-going monitoring by the Treasury Department and by the Metropolitan Auditor.

The Auditing Process

The consolidated financial statements of the Municipality of Metropolitan Toronto, together with the individual financial statements of the entities presented in the consolidation, are all subject to independent audits conducted by the Metropolitan Auditor who is a statutory officer of the Metropolitan Corporation reporting independently to the Metropolitan Council in regard to the operations of each of the entities.

The Auditor's Report is based on an examination of the Corporation's accounting systems, procedures and internal controls and is made in accordance with generally accepted auditing standards, including such tests and other procedures as the Auditor considers necessary in the circumstances.

Consolidated Financial Statements And Statistical Review

Consolidated Financial Statements

The Consolidated Financial Statements of the Municipality of Metropolitan Toronto provide an overview and broad perspective of the financial activity for which the Municipality is deemed to be politically accountable. The individual entities presented and included within the consolidation comprise local boards, agencies and commissions of the Metropolitan Corporation carrying out both general municipal activities and functions of a municipal enterprise nature, as follows:

Municipality of Metropolitan Toronto (including the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission)
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines Ltd.
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the O'Keefe Centre
Board of Management of the Guild

The administrative and financial relationships of these individual boards, commissions and municipal enterprises to the Municipality of Metropolitan Toronto are dealt with in some detail in the next section. The individual detailed financial statements of the consolidated boards, commissions and agencies are not included in this publication; rather, a listing of the addresses of the offices of each of these entities is provided on page 88 of this Report for any individual who may wish to obtain further information.

Statistical Review

A Statistical Review has been compiled and included to provide general information and comprehensive statistical data for the Municipality of Metropolitan Toronto and afford a broader and more complete understanding of the Municipality's financial condition than is possible from simply an examination of the individual financial statements. It comprises multi-year comparative trend data, information concerning fiscal capacity and debt-related statistics of the Metropolitan Corporation.

CONSOLIDATED BOARDS, COMMISSIONS AND AGENCIES

The administrative and financial relationships between the Municipality of Metropolitan Toronto and its individual consolidated boards, commissions and agencies are outlined below:

METROPOLITAN WATERWORKS SYSTEM

The Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation, is responsible for the supply of potable water of the highest standard of quality conforming to the requirements of Provincial and Federal Acts and Regulations in a quantity sufficient for the requirement of the citizens of the Metropolitan Toronto Area. The System undertakes the treatment, pumping, trunk transmission, storage and supply of water for the constituent area municipalities and the southerly portion of the Regional Municipality of York; the latter under an agreement with the Province of Ontario.

The Municipality of Metropolitan Toronto Act requires the Waterworks System to be self-sustaining and to retain any surplus revenues generated from operations. Effective November 18, 1986, by an amendment to the Municipality of Metropolitan Toronto Act, enabling legislation was obtained to permit the use of waterworks system surplus funds for the capital financing of water pollution control works.

Administration of the water supply function in 1987 involved the operation of 4 filtration plants, including quality control laboratories; 21 pumping stations; 10 major reservoirs; 4 elevated tanks and a 454 km. large-diameter water main transmission network, furnishing about 523 million cubic metres of water annually to the six area municipalities. To ensure proper treatment, achievement of conformity to potability standards, and to verify the above by testing water delivered to the consumer, a staff of highly qualified scientific personnel at four laboratories continually analyzes samples. During 1987 a total of 296,000 samples were taken and analyzed.

In 1987 total expenditures amounted to $71,318,000. Operating revenues, principally from the sale of water, totalled $77,546,000 resulting in net revenue for the year of $6,228,000. In accordance with Council's directive, this amount was transferred to a Reserve Fund for Water Pollution Control Measures under the jurisdiction of the Metropolitan Corporation to be applied to finance water pollution capital projects identified in annual budget reviews. The level of this reserve fund and future transfers of water supply surplus funds is subject to ongoing review by Metropolitan Council.

METROPOLITAN TORONTO LIBRARY BOARD

The Metropolitan Toronto Library Board provides direct reference service to the public and support services to the local area municipality public libraries in Metropolitan Toronto.

The eleven-member Board is comprised of the Metropolitan Chairman, two members appointed by the Metropolitan Council, one by each Area Municipality Council, one by the Metropolitan Toronto School Board, and one by the Metropolitan Separate School Board. Term of office for Board members is three years.

In 1987 the Library Board celebrated the 10th anniversary of the opening of its headquarters building. A major highlight for the year was the unveiling of the first prints restored under the library's current program to save its rare and valuable folio-set of original prints of John James Audubon's "Birds of America." During the year the Library served as the focal point of Sherlock Holmes Centenary celebrations, it being world-renowned for its collection of Holmes books and memorabilia.

Total operating expenditure for 1987 was $23,378,000 and was financed by $20,873,000 from the Metropolitan Corporation, $1,821,000 from the Province of Ontario and the balance of $684,000 from other sources, principally recoveries from Ontario Library Service areas for services rendered, photocopying services and the sale of miscellaneous publications.

TORONTO TRANSIT COMMISSION

The Toronto Transit Commission (T.T.C.) has exclusive authority to provide local passenger transportation services within the Metropolitan Toronto area; the only exceptions being railways, taxis, horse-drawn vehicles used for the purpose of providing sightseeing tours, privately owned or operated buses in certain limited uses, ferries to the Toronto Islands and bus transportation thereon. The T.T.C. is administered by five Commissioners: two Metropolitan Council members and three others, all of whom are appointed by Metropolitan Council.

Operating expenditures are financed in accordance with a "user's fair share" principle which generally defines the amount of operating expenses that are to be the financial responsibility of the T.T.C., the Metropolitan Corporation and the Province of Ontario. In accordance with this principle, the Commission establishes its fares at a level projected to produce total revenue from operations equal to 68% of total operating expenses (as defined for provincial subsidy purposes). The Municipality undertakes in its budget to provide an operating subsidy equal to the remaining expenses and, in turn, obtains subsidies from the Province of Ontario related to eligible transit operating expenses, revenue/cost relationships and special subsidies for major new transit facilities on exclusive rights of way.

The T.T.C.'s total operating expenditure during 1987 amounted to $494,532,000 while total operating revenues (principally fare revenue) were $357,749,000. This resulted in a net operating cost of $136,783,000 which was met by the Metropolitan Corporation; the Province of Ontario, in turn, contributed a transit operating subsidy to the Municipality of $77,305,000 relating to the T.T.C.'s operating costs and other transit expenditures incurred directly by the Municipality.

Capital expenditures in 1987 of $133,452,000 were financed $97,746,000 by Provincial subsidy, $22,916,000 by Metropolitan Toronto and $12,790,000 by the T.T.C. Of the total capital expenditure incurred in the year, $55,833,000 was spent for new rapid transit and other major construction work, while the balance of $77,619,000 was incurred for the replacement, renovation and rehabilitation of existing surface and general transit facilities.

GRAY COACH LINES, LIMITED

Gray Coach Lines, Limited, a wholly-owned subsidiary of the Toronto Transit Commission, operates inter-urban coach services over franchised routes to other cities, chartered and special services and sightseeing tours, its operations being separate from but complementary to the operations of the Toronto Transit Commission. Gray Coach Travel Inc., a wholly-owned subsidiary of the Company, operates a conducted tour business.

The Company's fares and routes are regulated by the Province of Ontario and a significant part of the Company's operations has been carried out under an agreement with the Toronto Area Rapid Transit Authority as part of the Province's "GO Transit" commuter system. In 1984, it was agreed with the Province that a phase-out of the Company's operation of "GO Transit" routes would occur over the next five years.

The Board of Directors of Gray Coach Lines, Limited, is composed of three directors appointed by the T.T.C. plus the Chairman and the Chief General Manager of the T.T.C. The President and Chief Executive Officer of the Company is ex-officio the sixth member of the Board. The Chairman of the T.T.C. also serves as Chairman of the Gray Coach Board.

In 1987 the consolidated net earnings of Gray Coach Lines, Limited, on a commercial basis of accounting, were $3,126,000; a dividend was declared payable to the Toronto Transit Commission of $900,000 leaving consolidated retained earnings in the Company of $15,471,000.

Board Of Governors Of Exhibition Place

The Board of Governors of Exhibition Place operates and manages Exhibition Place, including the Exhibition Stadium, on behalf of the Municipality of Metropolitan Toronto under the terms of an agreement between the Board and Metropolitan Toronto which specifies that net operating income is payable to the Municipality and that the Municipality is responsible for funding any deficit.

The Board is comprised of fourteen members: the Metropolitan Chairman, the Mayor of the City of Toronto, the President of the Canadian National Exhibition Association and eleven members appointed by Metropolitan Council.

Major capital facilities at Exhibition Place are financed by and are the property of the Municipality of Metropolitan Toronto. Costs of other expenditures on plant and equipment, including major improvements and maintenance, are charged by the Board to current operations in the year of occurrence. These facilities also are the property of the Municipality.

A user fee of 25 cents per ticket sold at a price greater than $2.00 is assessed on events produced in Exhibition Stadium. The amounts collected are paid into a reserve fund of the Municipality of Metropolitan Toronto to be used to defray the costs of capital improvements to the Stadium.

1987 was yet another successful year at Exhibition Place; a surplus of $4,598,000 was realized on the Board's annual operation and credited to the general revenues of the Metropolitan Corporation.

The Task Force on the "Future Uses of Exhibition Place," appointed by Metropolitan Council in 1985 to study the long term possibilities for the site and to consider future uses of Exhibition Place, submitted its Report in March 1987. Its recommendations included a continuing level of capital commitment by the Metropolitan Council for the protection of the existing infrastructure at Exhibition Place and a capital investment plan to serve as a general framework and guide for its future capital development.

Board Of Management Of The Metropolitan Toronto Zoo

A Board of Management operates and manages the Metropolitan Toronto Zoo under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto which is responsible for funding any deficit and is entitled to any net income from operations. The Board consists of nine members appointed by the Metropolitan Council, four of whom are nominees of the Metropolitan Toronto Zoological Society.

Major capital facilities at the Zoo are financed by and are the property of the Municipality of Metropolitan Toronto. Costs of other expenditures on plant and equipment are charged by the Board to current operations in the year they are incurred.

In 1987 total Zoo revenues from admissions, retail sales, parking, concessions, etc., amounted to $6,250,000. Expenditures totalled $12,440,000 resulting in a net cost of operation of $6,190,000 which was financed entirely by the Metropolitan Corporation.

During the year, over 1,323,000 people visited the Zoo. Three new exhibits were opened and were enthusiastically received by the public: the Maya Temple Exhibit featuring Jaguars, Spider Monkeys, Capybara and Flamingos; the new African Lion Exhibit; and the new Arctic Wolf Exhibit. In accordance with the recently-completed Zoo Master Plan, the Zoo initiated planning for several projects including a feasibility study for a Main Entrance Complex and Shark Pavilion.

The Metropolitan Toronto Zoo presents a modern approach to zoo design with naturalistic displays and a minimum of visible barriers intruding between the visitor and the animals. The Zoo is

dedicated to providing a diverse display of animal and plant life for the recreational pursuits of the public. Additionally, research and conservation are equally important objectives of the Zoo. In accomplishing these goals, the Metropolitan Toronto Zoo devotes resources to educating the public on conservation issues, one's relationship with nature, and specifically the Zoo's role in the preservation of endangered species.

Board Of Management Of The O'Keefe Centre

A Board of Management operates and manages the O'Keefe Centre for the Performing Arts as a theatre under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto. Net operating income is payable to the Metropolitan Corporation and the Corporation is responsible for funding any deficit.

The Board is comprised of not less than three and not more than seven persons appointed by Metropolitan Council for such terms of office as Council may determine. It is the present policy of Metropolitan Council to appoint three of its members to the Board along with four persons who are not members of Metropolitan Council.

The O'Keefe Centre has generated net income from operations in each of the past nine years. The 1987 total surplus of $763,000 was credited to the general revenues of the Metropolitan Corporation. Over the past nine years, the Centre has spent in excess of $6.4 million on renovations which have been funded 75% from the Metropolitan Corporation's operating budget and 25% from a ticket surcharge.

During 1987, more than 800,000 patrons attended 251 performances as the Centre continued to provide entertainment for a diversity of audiences consistent with the responsibilities of a publicly-owned theatre to its community: musicals, revues, opera, ballet, symphony, drama, jazz, and special community social and cultural events. The Centre is also the home for two world-renowned cultural companies, the National Ballet of Canada and the Canadian Opera Company.

Board Of Management Of The Guild

The Board of Management of the Guild consists of fifteen members, composed of a Chairman and fourteen members appointed by Metropolitan Council of whom seven are nominees of the Province of Ontario. Net operating income is payable to the Metropolitan Corporation which, in turn, is responsible for funding any deficit.

The land, buildings and equipment are owned by the Metropolitan Toronto and Region Conservation Authority and leased to the Municipality of Metropolitan Toronto. Costs of any capital expenditures on plant and equipment incurred by the Board are charged to current operations in the year they are made.

In 1987 total net revenue, principally from room rentals, food and beverage sales totalled $1,408,000. Total operating expenses amounted to $2,005,000 resulting in an operating deficit of $597,000 which was financed by the Metropolitan Corporation.

A study undertaken to develop recommendations for the best and most appropriate future uses of The Guild and the uses of the lands immediately adjoining thereto concluded that the most appropriate option was to convert The Guild into a luxury resort hotel but with emphasis on preserving the cultural value of the property. Metropolitan Council subsequently recommended that the hotel operations of The Guild be contracted out to an experienced hotel operator under a long-term operating agreement, with the cultural activities of The Guild to remain the direct responsibility of the Board of Management.

EXPENDITURE

In 1987, the general operating activities of the Municipality and its consolidated local boards and municipal enterprises resulted in a total gross expenditure of $2,102,533,000 (1986 – $1,912,871,000) as compared with a total gross operating budget of $2,103,073,000.

The table below details the expenditure for the year classified by program and by object.

Dollars in thousands

	1987 Budget	1987 Actual	%	1986 Actual	%	Increase (Decrease) 1987 Actual over 1986 Actual	Increase (Decrease) 1987 Actual over 1987 Budget
PROGRAM							
General government	$ 83,859	$ 96,517	4.6	$ 65,133	3.4	$ 31,384	$12,658 (a)
Protection to persons and property	418,464	409,502	19.5	387,458	20.3	22,044	(8,962) (b)
Transportation services	682,454	674,345	32.1	618,290	32.3	56,055	(8,109) (b)
Environmental services	223,130	228,726	10.9	237,929	12.4	(9,203)	5,596 (c)
Health services	50,626	49,137	2.3	44,144	2.3	4,993	(1,489)
Social and family services	503,800	495,316	23.5	421,863	22.1	73,453	(8,484) (d)
Recreation and cultural services	128,545	136,966	6.5	126,661	6.6	10,305	8,421 (e)
Planning and development	12,195	12,024	0.6	11,393	0.6	631	(171)
	$2,103,073	$2,102,533	100.0	$1,912,871	100.0	$189,662	$ (540)
OBJECT							
Salaries, wages and employee benefits		$1,096,017	52.1	$1,018,617	53.2	$ 77,400	
Materials, supplies, services, rents and financial expenses		440,605	21.0	386,091	20.2	54,514	
Capital additions		44,670	2.1	37,676	2.0	6,994	
Operating transfers to other funds		80,718	3.8	67,089	3.5	13,629	
Other transfers		263,074	12.6	231,796	12.1	31,278	
Capital financing charges		177,449	8.4	171,602	9.0	5,847	
		$2,102,533	100.0	$1,912,871	100.0	$189,662	

Note:

(a) As authorized by By-law No. 164-87 dated December 11, 1987, an amount of $15,000,000 was transferred to a Reserve Fund for Capital Costs of Metro Hall.

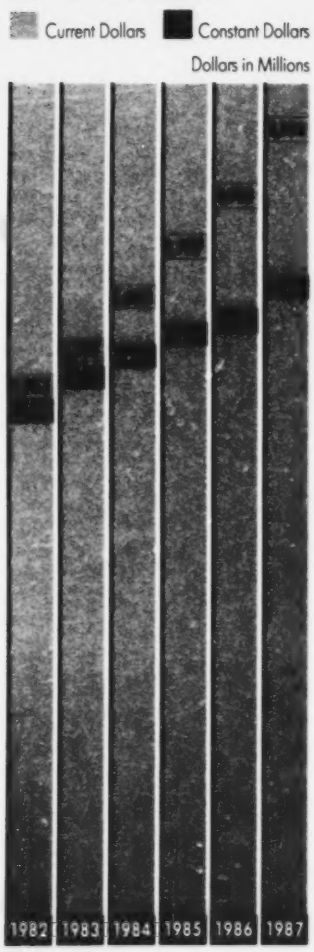
(b) For an explanation of these positive variances, see "Accumulated Net Revenue" section on page 49.

(c) Metropolitan Council on March 29, 1988 approved the transfer of the balance of accumulated net revenue at the credit of the Waterworks System at December 31, 1987 in the sum of $6,228,000 to the Reserve Fund for Water Pollution Control Measures.

(d) Later than anticipated provincial approval resulted in the expanded 1987 day care program not being implemented as early as planned.

(e) Higher than anticipated operating expenditures were incurred by Exhibition Place although this was more than offset by higher operating revenues.

Consolidated Operating Expenditures 1982-1987



As in the past several years, the operations of the Toronto Transit Commission, the Board of Commissioners of Police and the Community Services Department (in respect of general welfare assistance) received, at 57% (1986 – 60%), the largest portion of the total operating funds to finance their activities.

REVENUE

There are four major categories of revenue of the Metropolitan Corporation:
(i) Levy requisitions upon the constituent Area Municipalities (principally the general tax levy but including also the sale of water), 38% of the total;
(ii) Provincial grants (unconditional and specific), 28% of the total;
(iii) User charges in respect of municipal services, 31% of the total;
(iv) Other operating and miscellaneous revenues, 3% of the total.

Statistics over the past six years indicate the percentage of revenue that was contributed by each major source has experienced little change during that period of time.

LEVY REQUISITIONS UPON AREA MUNICIPALITIES

General Tax Levy

The Metropolitan Corporation levies sums of money, not mill rates, on the constituent area municipalities. However, it has been customary, for purposes of yearly comparisons, to express the total general levy in terms of an "average equivalent residential mill rate." The actual mill rates levied for Metropolitan purposes by area municipalities vary from this "average," due to a combination of factors:

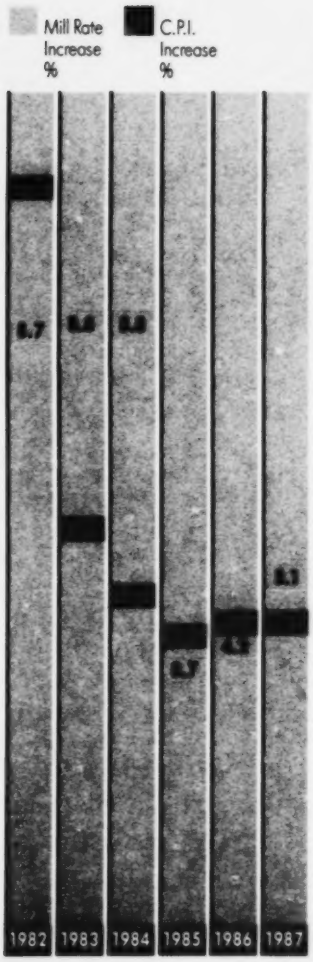
The assessment figures used for purposes of apportionment of the Metropolitan levy include, in addition to taxable amounts, the equivalent assessed value of all properties for which the area municipalities receive payment in lieu of taxes and also equivalent assessments in respect of telephone and telegraph company receipts and certain Provincial grants. Provincial legislation provides for the general tax levy to be distributed by area municipality on the basis of weighted assessment; weighted assessment being the total of commercial assessment and 85% of residential assessment.

The Metropolitan general levy requirement is apportioned over the six area municipalities on the basis of this weighted total general Metropolitan assessment to determine the net amount of money actually levied upon each area municipality. Such sums are then converted by each area municipality into its own residential and commercial mill rates, based on taxable assessments, with the residential rate established at 85% of the commercial rate. These rates will differ from the Metropolitan "average equivalent residential mill rate," which is simply an expression of the net Metropolitan levy in relation to the total Metropolitan "equalized assessment" used in the apportionment process.

For purposes of comparing the Metropolitan general levy in 1987 with that in 1986, the calculated "average equivalent residential mill rate" indicates an increase of 3.5 mills or 5.1% in 1987 as follows:

Dollars in thousands

	General Levy	Weighted Assessment	"Average Equivalent Residential Mill Rate"
1987	$708,456	$8,377,241	71.9
1986	663,946	8,251,657	68.4
Increase 1987 over 1986	$ 44,510	$ 125,584	3.5
% Increase	6.7	1.5	5.1



The following table details the individual 1987 and 1986 residential mill rates for general purposes levied by the Metropolitan area municipalities.

	1987	1986	Increase 1987 over 1986	
City of Toronto	79.19	75.30	3.89	5.2%
City of North York	73.41	69.85	3.56	5.1%
City of Etobicoke	74.12	70.43	3.69	5.2%
City of Scarborough	73.14	69.84	3.30	4.7%
City of York	72.26	68.41	3.85	5.6%
Borough of East York	72.88	69.58	3.30	4.7%

The graph to the left compares the increase in the Metropolitan "average equivalent residential mill rate" with annual consumer price increases over the last six years.

Tax Collection

The Area Municipalities are responsible for the billing and collection of taxes for their own purposes as well as for the Metropolitan Corporation and boards of education. Taxes which are not paid when due are subject to an interest penalty which is added to the tax arrears and collected as taxes. Generally, the Area Municipalities collect taxes in six instalments throughout the year. The following table sets forth the combined tax collection record of the Area Municipalities for the years 1982 through 1987.

Dollars in thousands

Year	Current Taxes Billed	Total Arrears Including Penalties and Interest	Total Tax Arrears as % of Current Taxes Billed	Total Collections	Total Collections as % of Current Taxes Billed
1982	$1,891,075	$105,563	5.6	$1,890,279	100.0
1983	2,091,270	108,355	5.2	2,098,982	100.4
1984	2,283,463	103,172	4.5	2,297,102	100.6
1985	2,457,939	96,678	3.9	2,451,276	99.7
1986	2,670,872	109,154	4.1	2,641,483	98.9
1987	2,909,273	108,141	3.7	2,859,705	98.3

The total arrears of $108,141,000 outstanding at December 31, 1987 was composed of the following:

Dollars in thousands

		%
Unpaid taxes from 1987	$ 76,344	70.6
Unpaid taxes from 1986	13,160	12.2
Unpaid taxes for years prior to 1986	11,568	10.7
Penalties and interest	7,069	6.5
	$108,141	100.0

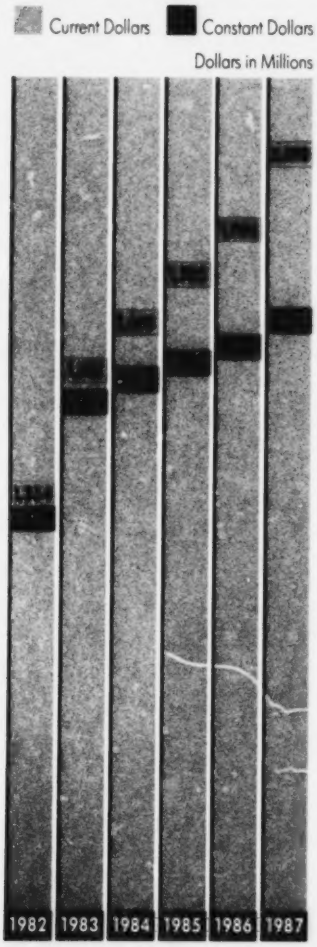
Sale Of Water To Area Municipalities

Revenues deriving from the sale of water to the six constituent area municipalities are reported within the category of "Levy Requisitions" in conformance with Provincial financial reporting requirements.

Due to the availability of an accumulation of water supply surplus revenues from prior years, Metropolitan Council approved a reduction in water rates from 15.30 cents per cubic metre of water in 1985 to 13.88 cents for 1986, and retained the rate at the same level for 1987.

The administration of the water supply function is the responsibility of the Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation, and its operation has been explained in some detail on page 40.

Consolidated Operating Revenues 1982 - 1987



Provincial Grants

Provincial grant transfers to the Municipality comprise unconditional grants (principally household grants for general and policing purposes, together with general support and resource equalization grants) and conditional grants, primarily based on eligible municipal expenditures.

Due to a Provincial change in the grant formula, the Municipality did not qualify for a Resource Equalization Grant in 1987 (1986 – $2,953,000). On the other hand, a Revenue Guarantee Grant in the sum of $403,000 was received arising from the guarantee by the Province that the total 1987 unconditional grant payments received by a municipality would be at least 2% greater than that received in 1986.

The total of grants and subsidies received from the Province during 1987 was $578,623,000 compared with $510,294,000 in 1986, an increase of 13.4%. This increase is essentially a reflection of increased spending in functional areas eligible for continuing Provincial subsidies.

User Charges

Within the category of user charges are revenues arising from the provision of municipal services by the Municipality, its boards, commissions and enterprises. Examples are: transit fares, admission fees to the Canadian National Exhibition, Exhibition Stadium, the Metropolitan Toronto Zoo, the O'Keefe Centre; rents, concessions and franchises; licences and permits; sales of equipment; refuse disposal charges; island ferry revenue and other like user-oriented revenue.

Also classified as user charges is a sewer surcharge levied upon the sale of water to the Metropolitan area municipalities, the proceeds of which are credited to the general revenue of the Metropolitan Corporation and used to defray the costs of water pollution control operations. This surcharge, originally instituted in 1974 at the rate of 10% of water sales, has steadily been increased over the last thirteen years and stood at 124% in 1987 (1986 - 115%). Metropolitan Council's objective is to fund the total cost of operation of the water pollution function entirely from this surcharge, and since water pollution costs exceed those of water supply, the surcharge has accordingly increased beyond 100% of the water rate.

Other Operating And Miscellaneous Revenues

These represent all other revenues which arise from operations and activities incidental to the discharge of the primary functions of the Municipality and include such sources as investment income, library fines and parking tag revenue.

Accumulated Net Revenue

The 1987 current fund surplus in respect of general municipal purpose operations was in excess of $57 million, representing the 34th consecutive annual surplus, and is attributable to a number of circumstances, the more significant being:

a) the Metropolitan share of supplementary taxes levied by area municipalities was higher than anticipated;
b) higher interest earnings were realized (although this was offset, in part, by higher temporary financing costs);
c) underexpenditures in police payroll costs due mainly to the actual staffing level being lower than budgeted;
d) higher than anticipated transit ridership;
e) higher net revenue from increased tonnage at landfill sites and transfer stations;
f) larger than estimated proportion of general welfare assistance and hostel caseload that were eligible for 100% subsidy;
g) the unutilised balance in the general corporate contingency appropriation.

Capital Operations

Gross capital expenditure in 1987 amounted to $327,846,000, a decrease of 6% compared with 1986. Of this sum, $146,973,000, or 45%, was spent on expansion and improvements to the transit system, while sewage and refuse disposal capital expenditure, at $43,456,000, accounted for 13%. Expenditures in regard to protection to persons and property totalled $42,148,000 and related primarily to the construction of a new police headquarters building.

Also during 1987, the Toronto Transit Commission commenced construction on a $51,000,000 Harbourfront Light Rail Transit Line, the first new streetcar line to be built in the City of Toronto in more than 60 years. Also during the year the subway network added its 60th station when doors opened to the North York Centre Station, the first subway station to be built on an existing line without interruption to ongoing service.

Total financing of capital expenditures during 1987 amounted to $363,376,000, comprised principally of provincial capital grants in the sum of $129,080,000 (36%), contributions from current funds of $102,197,000 (28%) and long term debt incurred of $91,048,000 (25%). In addition, other miscellaneous sources of capital financing such as proceeds from the sale of capital assets and sundry capital contributions and recoveries totalled $25,717,000 (7%) while excess sinking fund investment earnings on matured debenture debt amounted to $15,334,000 (4%).

Reserves And Reserve Funds

The table below lists the year end balances in the total consolidated reserves and reserve funds of the Municipality over the last six years in relation to total operating expenditures:

Dollars in thousands

	Reserves and Reserve Funds	Total Operating Expenditures	Percentage
1982	$ 91,363	$1,375,444	6.6
1983	59,504	1,516,614	3.9
1984	87,058	1,652,959	5.3
1985	97,133	1,787,461	5.4
1986	135,729	1,912,871	7.1
1987	187,567	2,102,533	8.9

In 1983, an amount of $22,577,000 was utilized from the Capital Financing Stabilization Reserve to finance the net capital requirements of the year in accordance with Council's policy of maintaining a balanced financing mix between internally generated revenues and external debenture financing (see "Long Range Capital and Financial Planning" section).

A Reserve for Arbitration Contingencies in the sum of $15,000,000 was initially established in 1984 in regard to certain matters that had been in arbitration and could give rise to potential liabilities. Additional contributions have been made over the intervening years and the reserve stood at $26,869,000 at the end of 1987.

In 1985, Metropolitan Council approved the creation of a $10,000,000 Reserve for Stabilization of Water Rates for the purpose of absorbing any future potential losses which could be experienced under extremes of adverse weather or operating conditions. Following the obtaining of necessary enabling legislation, the sum of $24,882,000, representing the remaining balance of accumulated net revenue at the credit of the Waterworks System as at December 31, 1986, was transferred at that date to a Reserve Fund for Water Pollution Control Measures to be applied to finance water pollution control projects to be identified in annual budget reviews. With a like transfer of $6,228,000 representing the 1987 water supply surplus, along with interest earned, the balance of this Reserve Fund stood at $33,457,000 as at December 31, 1987.

In 1987, Metropolitan Council further augmented its reserves and reserve funds through provisions for accelerated debenture debt redemption, public liability insurance, additional refuse disposal capacity and the capital costs of establishing a new headquarters building for the Metropolitan Corporation.

Long Range Capital And Financial Planning

Capital Expenditure Financed From Current Funds

Metropolitan Council's long-range capital and financial planning policy for its general municipal purpose and municipal enterprise operations is designed to ensure a balanced financing mix between internally generated revenues and debenture financing for the Municipality's capital expenditures and other long term capital improvements. The capital financing policy adopted is designed to stabilize the contribution of the revenue fund towards capital expenditures at a level generally of 50 percent of the actual net capital financing requirements for each year. The current policy of Council is to allocate within the operating budget an amount equivalent to a levy of 6 mills to meet this expenditure. To the extent that this annual provision to finance capital expenditures out of current funds exceeds this limit, the excess is transferred to a capital financing stabilization reserve; conversely, if such annual provision amounts to less than the 50 percent guideline, the shortfall is met by a draw upon the reserve.

As a result of 1987 capital operations and in accordance with this policy, an amount of $54,527,000 was utilized from current operations to finance capital expenditures while $7,966,000 was transferred from the reserve. The balance of this reserve was $6,122,000 as at December 31, 1987.

Guidelines For Future Capital Expenditure

In 1985, Metropolitan Council approved a ten-year plan of capital expenditure and associated debt management guidelines, following a comprehensive financial planning study designed to identify measures to further control the Corporation's capital expenditures and debt servicing charges within limits considered necessary to achieve multi-year financial targets established by Council. The study projected over a 10-year period the levels of net capital expenditures in various functional areas, with a view to determining priorities as between competing service demands for capital resources and relating such multi-year expenditure levels and priorities to debt management policy guidelines.

Recommendations included:
a) specific net capital expenditure targets for the next five years and further five year targets to be utilized as a planning guide;
b) specific criteria for the management of debt;
c) a process to review and update the plan on an annual basis.

The expenditure targets approved by Metropolitan Council are based on three key guidelines:
a) percentage of fixed debt charges in the levy should average no more than 15 percent;
b) percentage of net capital expenditure to be raised in the levy should be no less than 50 percent; and
c) the mill rate should increase each year by no more than the inflation rate within the economy as measured by the Consumer Price Index.

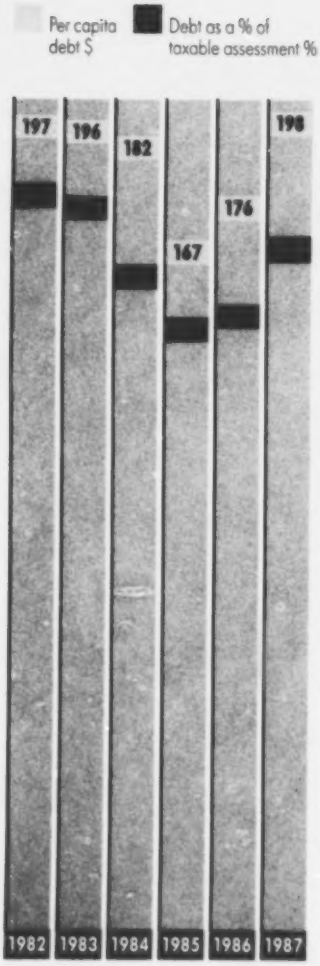
These guidelines form the basis of the Budget Sub-Committee's review of future Five-Year Capital Works Programs; any revisions to long term capital expenditure targets arising from such reviews are the subject of subsequent reports to Metropolitan Council.

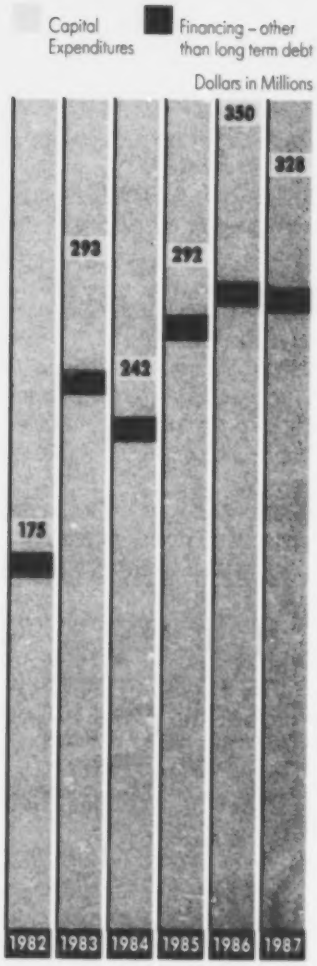
DEBT STRUCTURE

The following table portrays the net long term liabilities of the Municipality of Metropolitan Toronto over the last six years in respect of its own general municipal activities and municipal enterprises (exclusive of those of the Area Municipalities). Net long term liabilities in respect of general municipal purposes are also expressed on a per capita basis and as a percentage of taxable assessment.

Dollars in thousands, except per capita figures

	General Municipal Activities	Per Capita	% of Taxable Assessment	Municipal Enterprises
1982	$419,148	$197	5.4	$123,293
1983	415,318	196	5.3	109,636
1984	388,949	182	4.8	96,298
1985	358,207	167	4.4	83,948
1986	374,489	176	4.5	71,955
1987	420,907	198	5.0	60,668





Metropolitan Council's capital financing policy involving a "pay-as-you-go" annual provision of 50 percent of capital borrowing requirements, as previously described, has been over the last several years one of the most significant contributing factors in the stabilization of the Corporation's long term debt. The chart on the left illustrates the net long term liabilities for general municipal activities expressed in per capita terms and as a percentage of taxable assessment.

This "pay-as-you-go" capital financing policy is further highlighted in the chart on the right which portrays the Corporation's capital expenditures over the last six years together with all sources of financing other than long term debt.

Debt Servicing

During the past 6 years, debt service charges for the general municipal purposes of the Metropolitan Corporation, as a percentage of the annual general tax levy on Metropolitan taxpayers, have declined from 17.4 percent to 13.6 percent and as a percentage of gross expenditure from 8.5 percent to 6.3 percent as shown by the following tables:

Dollars in thousands

	Debt Charges	General Tax Levy	Percentage
1982	$85,853	$493,162	17.4
1983	87,744	547,650	16.0
1984	91,797	606,231	15.1
1985	93,936	635,820	14.8
1986	93,871	674,474	13.9
1987	98,756	726,707	13.6

	Debt Charges	Gross Expenditure	Percentage
1982	$85,853	$1,004,221	8.5
1983	87,744	1,112,253	7.9
1984	91,797	1,219,647	7.5
1985	93,936	1,310,864	7.2
1986	93,871	1,402,540	6.7
1987	98,756	1,560,063	6.3

Debt Record

The Metropolitan Corporation has consistently paid the full amount of the principal and interest for every security issued by it, or for which it has become liable; all when due and in the lawful currency of the country where it became payable.

Included in the Statistical section is information in tabular and graphic form relating to the total debenture debt of the Metropolitan Area. In addition, a comprehensive portrayal of Metropolitan Corporation Debenture Debt is contained in the Municipality's Debenture Debt Report issued annually, copies of which are available at the address indicated on the back cover of this Report.

SINKING FUNDS

The Municipality of Metropolitan Toronto Act provides that upon the issuance of sinking fund debentures, specific sums shall be levied annually which, together with interest capitalized yearly thereon at interest rates not exceeding 8%, will be sufficient to repay the debentures in full at maturity.

As a result of the actuarial interest rates employed, surplus earnings related to debt service for all the participants in the funds have consistently been achieved and have been applied, where applicable, to reduce levies for debt service during the term of the debentures. The reserve for abatement of such levies as at December 31, 1987 amounted to $61,571,000 in the Canadian Fund and US$21,194,000 in the U.S. Fund. In addition, amounts of Cdn$24,615,000 and US$713,000 of surplus funds, accumulated in excess of debts at maturity, are payable to the participants in the Funds. The sinking fund accumulated surplus in excess of the actuarial requirements and the reserve for abatement of future levies amounted to $36,538,000 in the Canadian Fund and US$12,166,000 in the U.S. Fund at December 31, 1987.

SIGNIFICANT ACTIVITIES

REFUSE DISPOSAL

During 1987, the Refuse Disposal Division of the Metropolitan Works Department disposed a total of 3,251,000 tonnes of refuse through its incineration, transfer, and landfill facilities. 1,919,000 tonnes of refuse were from commercial and industrial concerns, and other than Metro municipalities, who pay user-fees for refuse disposal. Such fees generated a revenue of $36,973,000. The balance of tonnage was from Metro area municipalities and local boards who pay for refuse disposal through the general tax levy.

The problem of an acute shortage of suitable land for future landfill sites, accentuated by the high cost of technology required to safely and efficiently design, build, and maintain a modern landfill facility, has necessitated placing of an increased emphasis on the reduction, re-use and recycling of household, commercial, and industrial waste materials. In 1987, Recycling Diversion Credits, paid by the Metropolitan Corporation to its area municipalities, was increased from $5.00 per tonne to $15.00 per tonne to help defray costs for recycling and to encourage expansion of the program. The Diversion Credit payments totalled approximately $300,000 in 1987.

The Metropolitan Corporation also has made a major commitment to facilitate the implementation of multi-material curbside recycling collection programs throughout the metropolitan area by providing start-up grants and covering losses of its area municipalities. Initiatives were made to facilitate increased recycling of industrial waste with information and support to industry to encourage their participation. A Solid Waste Environmental Assessment Plan was instituted in 1987 to assess and determine the solid waste management programs and facilities needed by Metropolitan Toronto to handle its solid waste management requirements for the next twenty to forty years.

Public Liability Insurance

In 1987, the Metropolitan Corporation continued its participation in an agreement with four of its area municipalities to contribute to a fund to meet losses in excess of $10,000 for each occurrence arising from liability claims. The amount of each participant's contribution to the fund is based on a projection of the frequency of losses in amounts ranging from $10,000 to $1,000,000 per occurrence. The group of municipalities also purchased external insurance coverage for those claims in the range $5,000,000 to $10,000,000.

The Metropolitan Corporation is accordingly solely responsible for losses under $10,000 per occurrence and for its share of any financing requirement of the group caused by unpredicted extraordinary claims not covered by the group fund or by external insurance. To provide for these potential costs, the Municipality has established an Insurance Reserve Fund which, during 1987, was enhanced significantly from $4,431,000 at the beginning of the year to $12,525,000 at December 31, 1987.

Metro Hall

On October 30, 1987, Metropolitan Council approved a proposal for construction of "Metro Hall," a headquarters building for the Municipality of Metropolitan Toronto. It is anticipated that when opened in 1992 Metro Hall will provide a distinct and identifiable focal point for the government of Metropolitan Toronto.

Metropolitan Council, on December 11, 1987, approved the transfer of $15,000,000 from the corporate contingency fund as an initial provision to establish a Reserve Fund for Capital Costs of Metro Hall and provide a source of financing that will alleviate the need for other capital funding requirements.

Conclusion

1987 marked the 34th anniversary of the incorporation of Metropolitan Toronto as the first community in North America to adopt, as a concept and a structure for local government, a regional federation of municipalities. The endeavours of members of Metropolitan Council and staff continued in 1987 to be based on prudent and thoughtful financial management policies to effectively serve and benefit all citizens within the Municipality.

STATISTICAL REVIEW

METROPOLITAN ASSESSMENT
Last Six Fiscal Years

Dollars In Thousands, Except Per Capita Figures

Year	Residential	Commercial	Total	Total Assessment per Capita
1982	$4,375,412	$4,021,747	**$8,397,159**	$3,956
1983	4,489,762	4,045,484	**8,535,246**	4,018
1984	4,579,090	4,133,651	**8,712,741**	4,087
1985	4,623,797	4,211,612	**8,835,409**	4,117
1986	4,630,423	4,315,798	**8,946,221**	4,198
1987	4,737,167	4,350,649	**9,087,816**	4,276

The above schedule shows unweighted assessment for both residential and commercial purposes. However, as indicated on page 45, commencing in 1984 provincial legislative changes provide for the Metropolitan general tax levy, distributed to each area municipality, to reflect weighted residential assessment.

DISTRIBUTION OF METROPOLITAN LEVIES – 1987

Dollars In Thousands

Area Municipality	General Levy		Education Levy				Total Levy	
	Levy	%	Public	Secondary	Total	%	Amount	%
City of Toronto	$286,113	40.4	$302,527	$236,594	$ 539,121	41.7	$ 825,234	41.2
City of North York	161,344	22.8	162,445	125,220	287,665	22.2	449,009	22.4
City of Scarborough	109,001	15.4	111,440	86,985	198,425	15.3	307,428	15.4
City of Etobicoke	104,812	14.8	102,010	81,010	183,020	14.2	287,832	14.4
City of York	25,051	3.5	23,780	18,439	42,219	3.3	67,270	3.4
Borough of East York	22,135	3.1	24,020	18,782	42,802	3.3	64,937	3.2
	$708,456	100.0	$726,222	$567,030	$1,293,252	100.0	$2,001,708	100.0

Population Tax Levies And Tax Collections Of The Metropolitan Area Municipalities

Dollars In Thousands, Except Per Capita Figures

Year	Population	Total Current Tax Levies		Tax Collections as % of Current Tax Levies	
		Amount	Per Capita	Current	Current and Arrears
1978	2,137,867	$1,228,970	$ 575	95.7	100.4
1979	2,155,724	1,343,837	623	95.4	99.6
1980	2,113,552	1,471,971	696	96.2	101.4
1981	2,110,973	1,650,999	782	95.8	99.8
1982	2,122,369	1,891,075	891	96.0	100.0
1983	2,124,085	2,091,270	985	96.4	100.4
1984	2,131,942	2,283,463	1,071	96.9	100.6
1985	2,145,900	2,457,939	1,145	97.3	99.7
1986	2,130,938	2,670,872	1,253	97.3	98.9
1987	**2,125,520**	**2,909,273**	**1,369**	**97.4**	**98.3**

Tax Levies And Tax Collections Of The Metropolitan Area Municipalities, 1987

Dollars In Thousands, Except Per Capita Figures

Area Municipality	Current Tax Levies (including penalties and interest)			Total Taxation	Per Capita	Tax Collections as % of Current Tax Levies	
	Own Purposes	Metropolitan Corporation	Education			Current	Current and Arrears
City of Toronto	$264,476	$297,173	$ 617,112	$1,178,761	$1,997	96.5	100.0
City of North York	136,332	196,978	352,288	685,598	1,245	98.0	93.2
City of Scarborough	100,864	106,559	229,346	436,769	947	98.4	101.5
City of Etobicoke	78,152	105,233	221,558	404,943	1,372	98.0	99.5
City of York	32,153	24,750	53,964	110,867	842	95.6	95.2
Borough of East York	21,635	22,272	48,428	92,335	955	98.4	98.4
	$633,612	**$752,965**	**$1,522,696**	**$2,909,273**	**$1,369**	**97.4**	**98.3**

STATISTICAL REVIEW

CONSOLIDATED CURRENT REVENUES BY SOURCE

Last Six Fiscal Years

Dollars In Thousands

Year	1982	1983	1984	1985	1986	1987
Taxation	$ 549,562	$ 610,693	$ 671,539	$ 705,355	$ 737,954	$ 793,179
Ontario Grants	353,214	399,335	426,715	460,665	510,294	578,623
User Charges	395,845	448,809	498,801	541,991	589,551	652,490
Other Grants	98	2,111	2,512	1,026	1,574	1,915
Investment Income	25,167	13,631	17,804	18,918	21,468	22,383
Fines	21,185	22,728	22,558	22,474	29,740	30,318
Other	8,496	23,454	16,049	31,806	15,440	13,683
	$1,353,567	$1,520,761	$1,655,978	$1,782,235	$1,906,021	$2,092,591

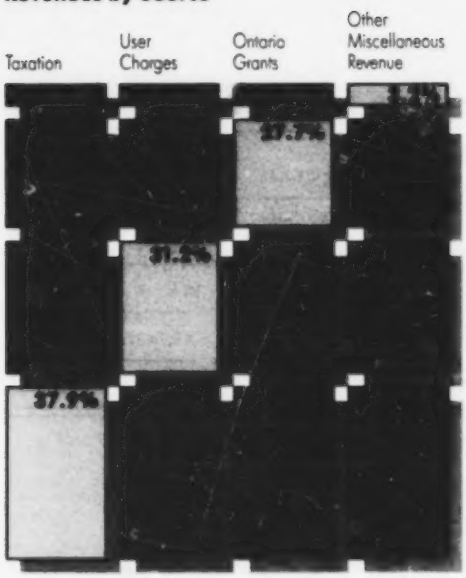
CONSOLIDATED CURRENT EXPENDITURES BY FUNCTION

Last Six Fiscal Years

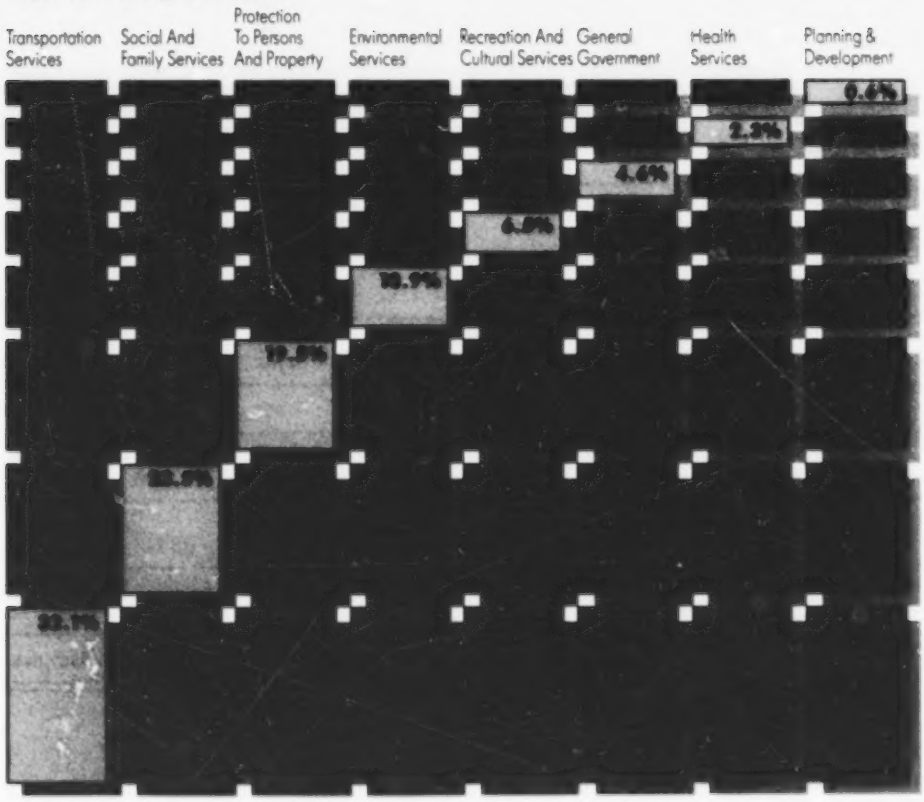
Dollars In Thousands

Year	1982	1983	1984	1985	1986	1987
General Government	$ 62,101	$ 49,646	$ 68,927	$ 65,038	$ 65,133	$ 96,517
Protection to Persons and Property	291,740	315,461	341,084	363,631	387,458	409,502
Transportation Services	466,390	506,369	527,752	595,286	618,290	674,345
Environmental Services	166,631	184,710	198,530	224,937	237,929	228,728
Health Services	30,155	34,368	39,271	40,726	44,144	49,137
Social and Family Services	261,716	322,282	354,675	366,801	421,863	495,316
Recreation and Cultural Services	88,224	98,650	113,301	122,478	126,661	136,966
Planning and Development	8,487	5,128	9,419	8,564	11,393	12,024
	$1,375,444	$1,516,614	$1,652,959	$1,787,461	$1,912,871	$2,102,533

1987 Consolidated Current Revenues by Source



1987 Consolidated Current Expenditures By Function



STATISTICAL REVIEW

CONSOLIDATED CAPITAL FINANCING BY SOURCE

Last Six Fiscal Years

Dollars In Thousands

Year	1982	1983	1984	1985	1986	1987
Long Term Liabilities Incurred	$ 10,145	$ 38,160	$ 18,901	$ 11,645	$ 64,243	$91,048
Contributions From Own Funds	56,449	97,819	64,957	91,573	103,003	112,915
Ontario Grants	86,771	115,171	123,773	142,507	144,735	129,080
Other	16,848	24,125	28,058	26,566	25,749	30,333
	$170,213	$275,275	$235,689	$272,291	$337,730	$363,376

CONSOLIDATED CAPITAL EXPENDITURES BY FUNCTION

Last Six Fiscal Years

Dollars In Thousands

Year	1982	1983	1984	1985	1986	1987
General Government	$ 658	$ 432	$ 717	455	$ 637	$ 1,095
Protection to Persons and Property	5,140	21,457	10,719	23,550	41,184	42,148
Transportation Services	118,917	174,675	159,284	201,172	222,657	198,271
Environmental Services	33,244	76,208	45,893	38,185	48,806	49,155
Health Services	2,649	2,822	3,942	3,494	3,401	5,824
Social and Family Services	5,317	6,845	7,473	7,115	17,198	15,141
Recreation and Cultural Services	9,183	10,366	13,748	17,715	16,210	16,373
Planning and Development	25	20	32	46	75	39
	$175,133	$292,825	$241,808	$291,732	$350,168	$327,846

CAPITAL EXPENDITURES – 1987

Capital Projects On Which Expenditures Exceeded $5 Million

Dollars In Thousands

	1987 Gross Expenditure	Estimated Gross Cost
Expansion of Police Headquarters	**$18,154**	$ 63,800
Main Sewage Treatment Plant Stage 3	**15,724**	282,250
Pavement Management Programme	**11,523**	44,100
Purchase of 126 subway cars	**11,141**	185,800
Harbourfront Light Rail Transit	**10,848**	51,000
Resurfacing of Major Roads	**10,229**	22,000
Scarborough Home for the Aged	**7,402**	17,700
Arrow Road Bus Garage	**7,016**	34,400
Repairs to Gardiner Expressway	**7,007**	50,000
Purchase of Light Rail Vehicles	**6,205**	104,750
Park Home Station	**6,194**	25,000
Station Modernization	**5,872**	45,300
Wheel Trans Equipment	**5,646**	15,303

STATISTICAL REVIEW

CONSOLIDATED RESERVES AND RESERVE FUNDS

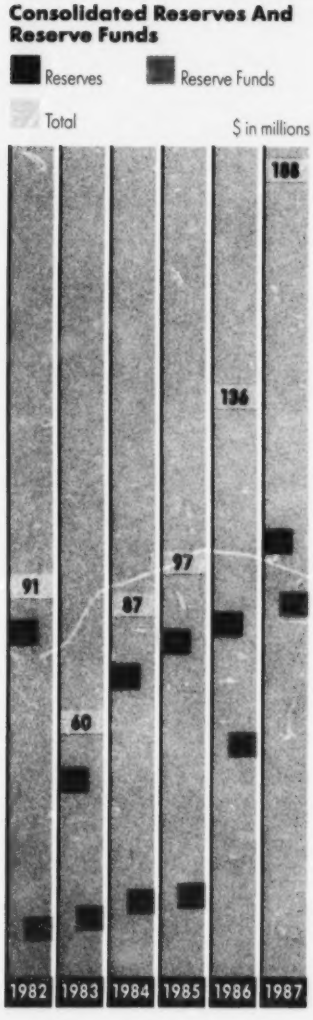
Last Six Fiscal Years

Dollars In Thousands

Year	Total Reserves and Reserve Funds	Total As Percentage of Taxation	Total As Percentage of Consolidated Current Expenditures
1982	**$ 91,363**	16.6	6.7
1983	**59,504**	9.7	3.9
1984	**87,058**	13.0	5.3
1985	**97,133**	13.8	5.4
1986	**135,729**	18.4	7.1
1987	**187,567**	23.6	8.9

Additional information on "Reserves and Reserve Funds" is contained on Page 50 of this Report.

Consolidated Reserves And Reserve Funds



DEBENTURE DEBT MATURITIES OF THE METROPOLITAN CORPORATION AND AREA MUNICIPALITIES

As At December 31, 1987

Dollars In Thousands

	Instalment		Sinking Fund		Total	
	Can.	U.S.	Can.	U.S.	Can.	U.S.
1988	$ 32,702	$ 6,382	$ 30,483	$ 107	$ 63,185	$ 6,489
1989	29,166	6,734	24,981	340	54,147	7,074
1990	24,803	5,161	25,076	344	49,879	5,505
1991	23,443	5,400	28,419	50,000	51,862	55,400
1992	21,383	4,644	39,057		60,440	4,644
1993	15,729	4,685	125,479		141,208	4,685
1994	13,517	4,857	125,721		139,238	4,857
1995	11,233	5,044	70,588		81,821	5,044
1996	7,751	5,254	125,939	125,000	133,690	130,254
1997	5,194	5,205	154,049	55,000	159,243	60,205
1998	4,436	2,420	33,576		38,012	2,420
1999	3,048	2,656	22,741		25,789	2,656
2000	2,079				2,079	
2001	335				335	
2002	186				186	
2003	57				57	
2004	63				63	
2005	70				70	
2006	76				76	
2007	84				84	
	$195,355	$58,442	$806,109	$230,791	$1,001,464	$289,233

STATISTICAL REVIEW

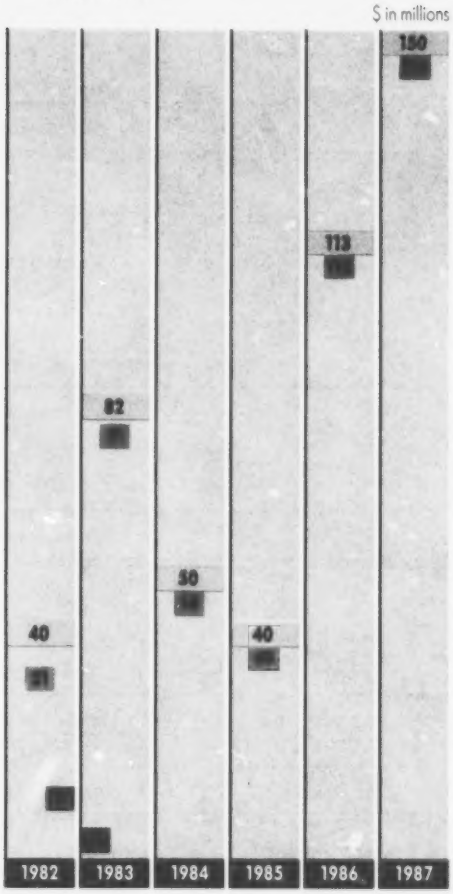
DEBENTURES ISSUED IN 1987

10 Year Sinking Fund, 8¾ & 10⅜%
5 & 15 Year Instalment, 9½, 9¾, 10, 10¼, 10⅜ & 10½%

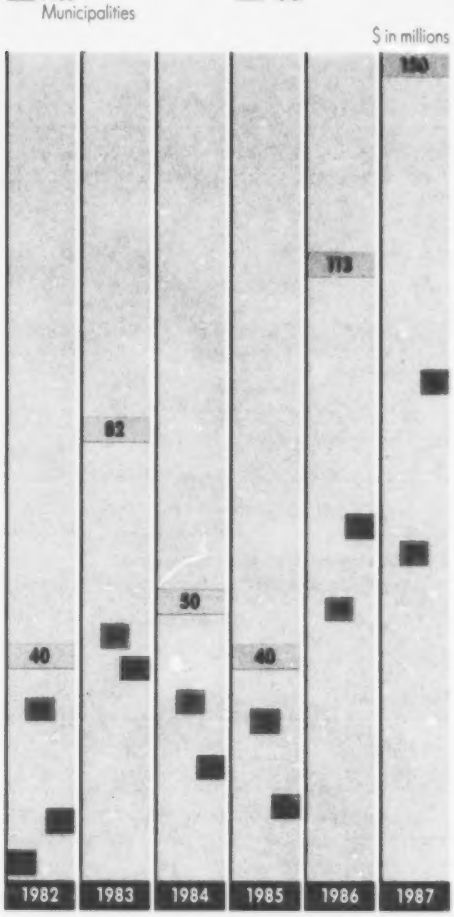
Dollars In Thousands

	Instalment	Sinking Fund	Total
Metropolitan Corporation			
Ambulance		$ 802	$ 802
Exhibition Place		1,594	1,594
Conservation		3,538	3,538
Roads		4,751	4,751
Social Services		1,324	1,324
Parks		964	964
Police		17,672	17,672
Rapid Transit		38,557	38,557
Refuse Disposal		10,031	10,031
Water Pollution Control		11,815	11,815
		91,048	91,048
Area Municipalities			
City of Toronto	$ 5,106	22,892	27,998
City of North York	5,394	2,538	7,932
City of Scarborough	477	2,794	3,271
City of Etobicoke	–	14,255	14,255
City of York	1,023	1,678	2,701
Borough of East York	–	2,795	2,795
	12,000	46,952	58,952
	$12,000	$138,000	$150,000

Debentures Issued By Lender 1982 - 1987



Debentures Issued By Purpose 1982 - 1987



STATISTICAL REVIEW

TOTAL DEBENTURE DEBT OF THE METROPOLITAN TORONTO AREA

Dollars In Thousands

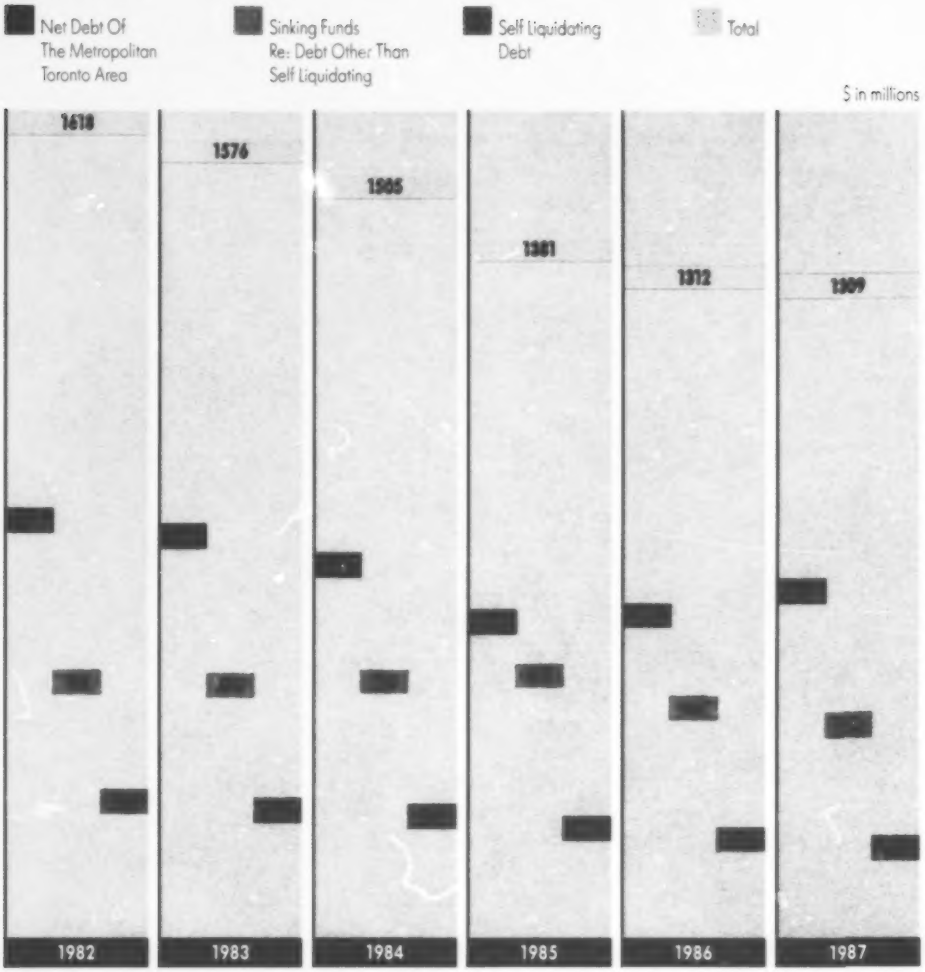
	Outstanding as at December 31, 1987
Area Municipalities' debentures assumed by Metropolitan Corporation	$ 478
Metropolitan Corporation Debentures	1,308,368
Total debenture debt of the Metropolitan Toronto Area	**$1,308,846**

Made up as follows:

Debenture debt assumed by Province of Ontario (in respect of Administration of Justice)		$ 13,444
Debenture debt recoverable from municipal enterprises		
Toronto Transit Commission	$ 30,746	
Waterworks	125,548	
Hydro-Electric Systems	13,663	169,957
Total – self-liquidating debt		183,401
Sinking funds re debt other than self-liquidating		428,894
Net debt of the Metropolitan Toronto Area		696,551
Total debenture debt of the Metropolitan Toronto Area		**$1,308,846**

Payable in:	Metropolitan Corporation Debentures	Area Municipality Debentures	Total
Canada	$1,000,986	$478	$1,001,464
United States	307,382		307,382
Total debenture debt of the Metropolitan Toronto Area	**$1,308,368**	**$478**	**$1,308,846**

Total Debenture Debt Of The Metropolitan Toronto Area



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The Municipality of
Metropolitan Toronto

Metropolitan Audit Department
7th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A. *Metropolitan Auditor*

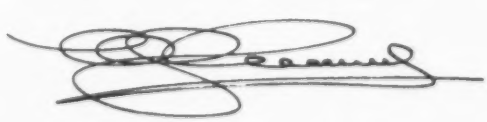
April 29, 1988

AUDITOR'S REPORT

The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto

I have examined the consolidated balance sheet of the Municipality of Metropolitan Toronto as at December 31, 1987 and the consolidated statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Municipality as at December 31, 1987 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR
Licence No. 1165

CONSOLIDATED BALANCE SHEET

December 31, 1987

ASSETS	1987	1986
Unrestricted		
Cash	**$ 14,553**	$ 19,407
Investments (note 3)	**291,321**	262,019
User charges receivable	**50,418**	45,078
Accounts receivable (note 4)	**171,407**	149,777
Other current assets	**42,014**	41,351
Long term receivables	**3,172**	2,578
	572,885	520,210
Restricted		
Cash	**690**	156
Investments (note 3)	**78,177**	25,246
Accounts receivable	**8,984**	29,285
Other current assets	**421**	133
	88,272	54,820
Capital outlay financed by long term liabilities and to be recovered in future years (note 7)	**481,575**	446,444
	$1,142,732	$1,021,474

see accompanying notes

Dollars in Thousands

LIABILITIES AND FUND BALANCES	1987	1986
Current liabilities		
Temporary loans	**$ 4,404**	$ 2,799
Accounts payable and accrued liabilities	**389,952**	370,846
Other current liabilities (note 4)	**35,257**	33,123
	429,613	406,768
Long term payables	**600**	14,745
Net long term liabilities (note 7)	**481,575**	446,444
Fund balances at end of year		
To be used to offset taxation in the following year (note 10)	**57,670**	52,710
Transit operations (notes 9, 10)	**(34,973)**	(20,071)
Unexpended capital financing (Capital operations not yet permanently financed) (note 10)	**20,680**	(14,850)
Reserves (note 11)	**101,123**	81,795
Reserve funds (note 11)	**86,444**	53,933
	$1,142,732	$1,021,474

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31, 1987

SOURCES OF FINANCING	1987	1986
Taxation and user charges		
Requisition on local municipalities	**$2,092,580**	$2,035,904
Less school board requisition	**(1,299,401)**	(1,297,950)
User charges	**656,178**	589,982
Grants		
Government of Canada	**2,290**	1,574
Province of Ontario	**707,703**	655,029
Other		
Investment income	**27,954**	23,998
Sale of land	**8,535**	8,966
Fines	**30,318**	29,740
Other	**35,037**	32,413
Proceeds from the issue of long term liabilities	**89,714**	63,359
Municipal fund balances at beginning of year (note 10)		
To be used to offset taxation in the following year	**52,710**	57,308
Transit operations (note 9)	**(20,071)**	(17,819)
Unexpended capital financing (Capital operations not yet permanently financed)	**(14,850)**	(2,412)
Total financing available during the year	**$2,368,697**	$2,180,092

see accompanying notes

Dollars In Thousands

APPLIED TO	1987	1986
Current operations (note 8)		
General government	**$ 62,266**	$ 56,888
Protection to persons and property	**387,255**	365,641
Transportation services	**620,795**	577,248
Environmental services	**198,921**	191,849
Health services	**44,753**	41,185
Social and family services	**491,540**	417,226
Recreation and cultural services	**121,004**	109,629
Planning and development	**11,888**	11,332
	1,938,422	1,770,998
Capital operations		
General government	**1,102**	618
Protection to persons and property	**41,847**	40,986
Transportation services	**195,102**	221,047
Environmental services	**48,862**	48,497
Health services	**5,612**	3,401
Social and family services	**15,127**	17,198
Recreation and cultural services	**27,368**	20,388
Planning and development	**39**	75
	335,059	352,210
Net appropriations to reserves and reserve funds	**51,839**	39,095
Municipal fund balances at end of year (note 10)		
To be used to offset taxation in the following year	**57,670**	52,710
Transit operations (note 9)	**(34,973)**	(20,071)
Unexpended capital financing (Capital operations not yet permanently financed)	**20,680**	(14,850)
Total applications during the year	**$2,368,697**	$2,180,092

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1987

1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Municipality of Metropolitan Toronto are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) Basis of Consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Metropolitan Board of Commissioners of Police
Metropolitan Licensing Commission
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines, Limited
Board of Governors of Exhibition Place
Board of Management of the O'Keefe Centre
Board of Management of the Metropolitan Zoo
Board of Management of the Guild

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) Non-consolidated entities

The following entities are not consolidated:

Metropolitan Toronto Housing Company, Ltd.
Metropolitan Toronto Housing Development Corporation
Metropolitan Toronto School Board

(iii) Accounting for school board transactions

The Consolidated Statement of Operations reflects the Metropolitan Toronto Education Levy requisitioned upon the Metropolitan Toronto area municipalities and the subsequent transfer thereof to the Metropolitan Toronto School Board.

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(iii) Fixed assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iv) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital outlay financed by long term liabilities and to be recovered in future years," as reported on the Consolidated Balance Sheet, represents the sum of:

- the outstanding principal portion of unmatured long term liabilities for municipal expenditures;
- long term obligations arising out of capital leases entered into by the municipality and its local boards;
- capital funds transferred to those local boards and municipal enterprises of the municipality for which it is authorized to incur debt.

(v) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rates prevailing at the time the debt was incurred.

(vi) Inventories

Inventories are valued at average cost.

(vii) Restatement to municipal basis of accounting

The Toronto Transit Commission and Gray Coach Lines, Limited employ a commercial basis of accounting in reporting their capital transactions. The financial statements of these entities have been restated to reflect the foregoing municipal basis of accounting prior to their incorporation in these consolidated financial statements (see also note 9).

2. TRUST FUNDS

Trust funds administered by the Municipality and its local boards amounting to approximately $26,000,000 (1986 – $22,000,000) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations.

3. INVESTMENTS

The unrestricted investments of $291,321,000 (1986 – $262,019,000) and restricted investments of $78,177,000 (1986 – $25,246,000) are reported on the Consolidated Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

4. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $15,122,000 in 1987 (1986 – $15,335,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Consolidated Balance Sheet under "Other Current Liabilities."

5. PENSION AGREEMENTS

(a) Ontario Municipal Employees Retirement Fund

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 12,693 members (49%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

The amount contributed to OMERS for current service in 1987 was approximately $27,170,000 (1986 – $24,719,000) and is included as an expenditure on the Consolidated Statement of Operations.

Under the past service provisions of the OMERS agreement, the Municipality is obligated at December 31, 1987, for an amount of approximately $4,187,000 (1986 – $1,592,000) as established for the plan. No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. In this regard $265,000 was funded in 1987 (1986 – $265,000) and is reported on the Consolidated Statement of Operations.

The latest actuarial valuation conducted at January 1, 1987, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) Other Pension Plans

The Municipality of Metropolitan Toronto and its various local boards and municipal enterprises are members in a number of other pension plans. These plans provide pensions based on length of service and final average earnings.

The amount contributed to these plans for current service in 1987 was $6,711,000 (1986 – $7,040,000) and is included as an expenditure on the Consolidated Statement of Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, the present value of the unfunded obligations for pension benefits relating to past service was $38,659,000 as at December 31, 1987 (1986 – $68,735,000). This balance is being funded and charged to operations as follows:

Dollars In Thousands

	1988 to 1991	1992 to 1994	Total
To be recovered from			
General municipal revenue	**$24,845**	**$13,039**	**$37,884**
Municipal enterprises	**620**	**155**	**775**
	$25,465	**$13,194**	**$38,659**

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. Expenditure for past service of $9,716,000 was made in 1987 (1986 – $10,746,000) and is reported on the Consolidated Statement of Operations.

6. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Municipality and the following local boards and municipal enterprises:
Metropolitan Waterworks System
Metropolitan Toronto Library Board
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Metropolitan Toronto Housing Company, Limited

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $91,354,000 (1986 – $85,159,000) at the end of the year.

In order to provide for this past service liability the Municipality has established a Corporate Sick Pay Reserve Fund. Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time, and, over the next nine years, will be as follows:

	Dollars In Thousands		
	1988 to 1990	1991 to 1993	1994 to 1998
Municipality	$7,278	$7,278	$7,278
Other participants	505	505	505

During 1987, the contributions to the reserve fund by the Municipality and other participants amounted to $2,131,000 and $166,000 respectively. At December 31, 1987, the balance of the Corporate Sick Pay Reserve Fund was $13,867,000 (1986 – $15,545,000).

7. NET LONG TERM LIABILITIES

(a) The net long term liabilities reported on the Consolidated Balance Sheet are made up of the following:

Dollars In Thousands

	1987	1986
Total long term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	$1,310,032	$1,312,672
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	479	545
Capital leases	5,853	5,155
Long term interest free loan payable to Province of Ontario	5,839	6,601
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by school boards, other municipalities and by the Province of Ontario. At the end of the year, the outstanding principal amount of this liability is	(438,054)	(474,017)
The total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	(402,574)	(404,512)
Net long term liabilities	$ 481,575	$ 446,444

(b) Net long term liabilities – future redemption

Of the net long term liabilities reported in (a) of this note, $183,997,000 in principal payments are payable from 1988 to 1992, $136,933,000 from 1993 to 1997, and $12,167,000 thereafter, and are summarized as follows:

Dollars In Thousands

	1988 to 1992	1993 to 1997	1998 and thereafter	Total
From general municipal revenues	$159,884	$119,467	$10,478	$289,829
From consolidated municipal enterprises	24,113	17,466	1,689	43,268
	$183,997	$136,933	$12,167	$333,097

The difference between the total of principal redemption indicated above ($333,097,000) and the total of net long term liabilities reported in note 7 (a) ($481,575,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rates prevailing at the time the debt was incurred, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) Translation of net long term liabilities payable in foreign currencies

Included in "Net long term liabilities" on the Consolidated Balance Sheet is an amount of $131,725,000 (1986 – $151,037,000) payable in U.S. funds and translated into Canadian funds at the rates of exchange prevailing at the time the liability was incurred. If translated at the exchange rate prevailing at December 31, 1987, the Canadian dollar equivalent of this amount of debt would be increased by $29,576,000 (1986 – $45,880,000).

(d) Ontario Municipal Board

Approval of the Ontario Municipal Board has been obtained for the debenture debt reported in (a) of this note issued in the name of the Municipality.

(e) Long term liabilities incurred on behalf of area municipalities, school boards and the Province of Ontario

The Municipality is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by its area municipalities, school boards and the Province of Ontario. The total amount outstanding as at December 31, 1987 is $438,054,000 (1986 – $474,017,000) and is not recorded on the Consolidated Balance Sheet.

8. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the Consolidated Statement of Operations are as follows:

	Dollars In Thousands	
	1987	1986
Principal payments including contributions to sinking funds and the Ministry of the Environment Debt Retirement Fund	$ 37,126	$ 35,313
Interest	82,796	82,547
	$119,922	$117,860

The charges for long term liabilities assumed by the area municipalities, school boards and the Province of Ontario are not reflected in these statements.

9. EFFECT OF ADOPTION OF MUNICIPAL ACCOUNTING CONVENTIONS

As indicated in Note 1(b) (vii), the financial statements of the Toronto Transit Commission and Gray Coach Lines, Limited, have been restated to reflect a municipal basis of accounting for capital transactions prior to their incorporation in these consolidated financial statements. The effect of this restatement is as follows:

	Dollars In Thousands	
	1987	1986
Equity on a commercial basis	$ 60,856	$ 61,430
Reduction in equity due to restatement	(95,829)	(81,501)
Deficit on a municipal basis	$ (34,973)	$ (20,071)

10. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

(a) The balances on the Consolidated Statement of Operations of municipal equity of $43,377,000 (1986 – $17,789,000) at the end of the year are comprised of the following:

	Dollars In Thousands	
	1987	1986
For general reduction of taxation	$57,870	$52,710
Transit operations – deficit arising as a result of restatement to municipal basis of accounting	(34,973)	(20,071)
Acquisition of fixed assets to be recovered through taxation or user charges	(27,504)	(41,443)
Acquisition of fixed assets to be financed from the proceeds of long term liabilities	(27,504)	(41,443)
Funds available for the acquisition of fixed assets	75,888	68,036
	20,880	(14,850)
	$43,377	$17,789

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities.

(b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 1987 has been reduced by an amount of $15,000,000 transferred to the Reserve Fund for Capital Costs of Metro Hall as authorized by By-Law No. 164-87 dated December 11th, 1987. Had this reduction not been made the municipal fund balance for the general reduction of taxation would have been $72,670,000.

11. RESERVES AND RESERVE FUNDS

The total balances of reserves and reserve funds of $101,123,000 (1986 – $81,795,000) and $86,444,000 (1986 – $53,933,000) respectively are made up of the following:

Dollars In Thousands

	1987	1986
Reserves set aside for specific purposes by Council		
Exchange stabilization	$ 4,987	$ 4,987
Replacement of equipment	5,269	3,838
Sick pay benefits	3,481	2,869
Capital financing stabilization	14,766	19,731
Parks and recreation program facilities	1,000	1,089
Contingencies	31,869	24,781
Refuse disposal purposes	3,451	–
Debenture repayment	5,000	–
Water rates stabilization	10,000	10,000
Transit purposes	21,300	14,500
	101,123	81,795
Reserve funds set aside for specific purposes by Council		
Insurance	12,526	4,438
Sick pay benefits	13,867	15,545
Parks and recreation program facilities	3,060	5,679
Pollution control	33,457	24,882
Property settlement	7,925	3,118
Capital costs of Metro Hall	15,048	–
Other	421	138
	86,304	53,800
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Lakeview Sewage Treatment Plant Contingency	140	133
	86,444	53,933
	$187,567	$135,728

12. CAPITAL FINANCING STABILIZATION RESERVE

(a) General municipal purposes

A Capital Financing Stabilization Reserve has been established to stabilize revenue fund contributions for capital expenditure. The current policy of Council for financing capital expenditures net of external financing and surplus sinking fund monies is to provide up to 50 per cent of the required financing by a current levy, the balance being provided from debenture proceeds. If the annual current levy produces funds greater or lesser than the foregoing guideline, such difference is transferred to or from the Reserve.

Resulting from 1987 capital operations and in accord with this policy, an amount of $54,527,000 was utilized from current operations to finance capital expenditures while $7,966,000 was transferred from the reserve. The balance of this Reserve was $6,123,000 as at December 31, 1987 (1986 – $14,088,000).

(b) Waterworks purposes

A Capital Financing Stabilization Reserve similar to the above has been established for Waterworks purposes. The balance of this Reserve was $8,642,000 as at December 31, 1987 (1986 – $5,642,000).

13. PUBLIC LIABILITY INSURANCE

The Municipality of Metropolitan Toronto is a participant in the Metropolitan Municipalities' Group Liability program for which Trust Funds have been established and are administered by the Municipality of Metropolitan Toronto. In addition, the Municipality has established an Insurance Reserve Fund to meet losses in certain defined categories.

Settlement of claims is financed as follows:
First $10,000: Insurance reserve fund
$10,000 – $5,000,000: Trust funds
$5,000,000 – $10,000,000: Outside insurers
Excess of $10,000,000: Insurance reserve fund

At the end of the year, the estimated liability for all claims reported and not settled to be financed by the Insurance reserve fund was $2,544,000. The balance of the Fund in the sum of $12,526,000 is considered adequate for this purpose and is, in any event, subject to ongoing review.

14. CONTRACTUAL OBLIGATION

Metropolitan Council, in 1985, approved a contribution towards the capital cost of construction of a domed stadium in a total amount not to exceed the lesser of $30,000,000, or 20 percent of the total cost of the project. This contribution was approved as a current expenditure to be financed over a period of five years commencing in 1985 through the establishment and maintenance of a reserve fund with provision being made annually in the current estimates. An amount of $14,900,000 has been contributed to December 31, 1987. Further contributions will be as follows:

1988	$7,200,000
1989	$7,900,000

In addition, Council adopted as policy that it would not be responsible for any operating costs or financial losses of the stadium, nor provide any grants to related organizations.

15. BUDGET FIGURES

Budgets established for capital funds, reserves and reserve funds are compiled on a project-oriented basis, the activity in regard to which may occur over one or more years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the Consolidated Statement of Operations.

16. COMPARATIVE FIGURES

Certain of the 1986 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

ANALYSIS OF CURRENT OPERATIONS

Year Ended December 31, 1987

Dollars In Thousands

	1987	1986
Surplus at beginning of year	**$ 32,639**	$ 39,489
Revenue		
Taxation and user charges		
Requisition on local municipalities	**2,092,580**	2,035,904
Less school board requisition	**(1,299,401)**	(1,297,950)
User charges	**652,490**	589,551
Grants		
Government of Canada	**1,915**	1,574
Province of Ontario	**578,623**	510,294
Other		
Investment income	**22,383**	21,468
Fines	**30,318**	29,740
Other	**13,683**	15,440
	2,092,591	1,906,021
Expenditure		
General government	**96,517**	65,133
Protection to persons and property	**409,502**	387,458
Transportation services	**674,345**	618,290
Environmental services	**228,726**	237,929
Health services	**49,137**	44,144
Social and family services	**495,316**	421,863
Recreation and cultural services	**136,966**	126,661
Planning and development	**12,024**	11,393
	2,102,533	1,912,871
Surplus at end of year	**$ 22,697**	$ 32,639

ANALYSIS OF CAPITAL OPERATIONS

Municipality of Metropolitan Toronto

Dollars In Thousands

	1987	1986
(Capital operations not yet permanently financed) at beginning of year	**$(14,850)**	$ (2,412)
Financing		
Contributions from current operations	**102,197**	91,418
Contributions from reserves and reserve funds	**10,718**	11,585
Long term liabilities incurred	**91,048**	64,243
Ontario grants	**129,080**	144,735
Other	**30,333**	25,749
	363,376	337,730
Expenditure		
General government	**1,095**	637
Protection to persons and property	**42,148**	41,184
Transportation services	**198,271**	222,657
Environmental services	**49,155**	48,806
Health services	**5,624**	3,401
Social and family services	**15,141**	17,198
Recreation and cultural services	**16,373**	16,210
Planning and development	**39**	75
	327,846	350,168
Unexpended capital financing (Capital operations not yet permanently financed) at end of year	**$ 20,680**	$ (14,850)

Analysis Of Reserves And Reserve Funds

Year Ended December 31, 1987

	Dollars In Thousands	
	1987	1986
Balance at beginning of year	**$135,728**	$ 97,133
Revenue		
Contributions from current operations	**80,719**	67,089
Contributions from capital operations	**4,205**	3,118
Contributions from others	**4,113**	757
Interest earned	**5,571**	2,530
	94,608	73,494
Expenditure		
Transfers to current operations	**478**	110
Transfers to capital operations	**10,718**	11,585
Other charges	**31,573**	23,204
	42,769	34,899
Balance at end of year	**$187,567**	$135,728

Dollars In Thousands

	1987	1986
Analyzed as follows:		
Reserves		
Exchange stabilization	$ 4,987	$ 4,987
Replacement of equipment	5,269	3,838
Sick pay benefits	3,481	2,869
Capital financing stabilization	14,766	19,731
Parks and recreation program facilities	1,000	1,089
Contingencies	31,869	24,781
Refuse disposal purposes	3,451	–
Debenture repayment	5,000	–
Water rates stabilization	10,000	10,000
Transit purposes	21,300	14,500
	101,123	81,795
Reserve Funds		
Insurance	12,526	4,438
Sick pay benefits	13,867	15,545
Parks and recreation program facilities	3,060	5,679
Pollution control	33,457	24,882
Property settlement	7,925	3,118
Capital costs of Metro Hall	15,048	–
Contingencies	140	133
Other	421	138
	86,444	53,933
Balance at end of year	$187,567	$135,728

CONSOLIDATED LOCAL BOARDS, COMMISSIONS AND AGENCIES

Metropolitan Waterworks System
439 University Avenue
10th Floor
Toronto, Ontario
M5G 1Y8

Metropolitan Toronto Library Board
789 Yonge Street
Toronto, Ontario
M4W 2G8

Toronto Transit Commission
1900 Yonge Street
Toronto, Ontario
M4S 1Z2

Gray Coach Lines Ltd.
580 Commissioners Street
Toronto, Ontario
M4M 1A7

Board of Governors of Exhibition Place
Exhibition Place
Toronto, Ontario
M6K 3C3

Board of Management of The Metropolitan Toronto Zoo
Box 280
West Hill, Ontario
M1E 4R5

Board of Management of The O'Keefe Centre
1 Front Street East
Toronto, Ontario
M5E 1B2

Board of Management of The Guild
Guildwood Parkway
Scarborough, Ontario
M1E 1P6